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Programme and Budget Committee

Eighth session
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Item 11 of the provisional agenda

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989

Action taken with regard to the manual of administrative policies and procedures of the Organization

Report by the Director-General

1. At its fourth session, the General Conference, recalling Industrial Development Board decision IDB.8/Dec.30 and taking note of the report of the Director-General on action taken with regard to observations of the External Auditor (GC.4/43), requested the Director-General to finalize, as soon as possible, preferably before the eighth session of the Programme and Budget Committee in 1992, the compilation of a comprehensive manual containing the formal documentation of administrative policies and procedures of the Organization, especially on purchases and contracts (resolution GC.4/Res.24).

2. The first draft of the manual governing the activities of the Purchase and Contracts Sections has now been completed. It is expected that, after review by the External Auditor, the final version will be ready by the end of 1992. The new manual of policies and procedures governing the operations of the UNIDO Inventory Control and Property Management Unit is under preparation and will complement the manual on purchases and contracts.

ACTION REQUIRED OF THE COMMITTEE

3. The Committee may wish to take note of the present report.

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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

Action taken with regard to the manual on administrative policies and procedures of the Organization

Report by the Director-General

1. At its fourth session, the General Conference recalling Industrial Development Board decision IDB.8/Dec.30, in its resolution GC.4/Res.24, requested the Director-General to finalize, as soon as possible, preferably before the eighth session of the Programme and Budget Committee in 1992, the compilation of a comprehensive manual containing the formal documentation of administrative policies and procedures of the Organization, especially on purchases and contracts.

2. At the eighth session of the Committee the Director-General in document PBC.8/7-IDB.10/6, reported that, in response to Board decision IDB.8/Dec.30, the first draft of a manual governing the activities of the Purchase and Contracts Sections had been completed and that the final version would be ready by the end of 1992. He also reported that a new manual, complementing the manual on purchase and contracts, containing policies and procedures governing the operations of the UNIDO Inventory Control and Property Management Unit, was under preparation.

3. Subsequently, the Committee, in its conclusion 92/4, requested the Director-General to finalize the manual of administrative policies and procedures of the Organization, as requested in Board decision IDB.8/Dec.30.

4. At present both manuals are in the final stage of completion and are expected to be available by the end of September 1992.

ACTION REQUIRED OF THE BOARD

5. The Board may wish to take note of the present report.

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OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES

Cost measurement study on the UNDP successor arrangements for agency support costs

Report by the Director-General

Summary

Reports on the results of a cost measurement study of the main UNDP executing agencies undertaken by a consulting firm engaged by the United Nations Development Programme within the framework of the development of the successor arrangements for agency support costs. The findings show that UNIDO is one of the most cost-efficient agencies among the five studied.

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Introduction

1. Within the framework of the implementation of the United Nations Development Programme (UNDP) Governing Council decisions 90/26 and 91/32 on successor arrangements for agency support costs, a consulting firm was hired by UNDP to undertake a detailed study of the cost of supporting the technical cooperation activities carried out by the Food and Agriculture Organization (FAO), the International Labour Organisation (ILO), the United Nations Department of Technical Cooperation Development (UNDTCD), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and UNIDO. The study was intended to focus on the services to be provided under the administrative and operational services (AOS) category of support services. From the very outset, the consultants were also requested to study the cost of a Professional work-month of services to be delivered under technical support at both the programme (TSS-1) and project (TSS-2) levels. The study was carried out during the first half of 1991 and the draft results were submitted to the UNDP Governing Council in June of the same year.

2. After discussions with the agencies and UNDP, supplementary work was carried out by the consultants and a report was finalized in November 1991. This report was based on 1990 figures that were subsequently updated to reflect the full 1990-1991 biennium costs and delivery figures. At the same time, the consultants used the delivery figures for the 1990-1991 biennium and costs budgeted for the 1992-1993 biennium to project the support cost rates for the current (1992-1993) biennium. It was pointed out that this projection was obviously very speculative as, in the ultimate analysis, actual delivery figures would be different (see explanation of methodology below). The support cost rates projected for 1992-1993 would only be correct were delivery for the five agencies in the current biennium to remain at the same level as in 1990-1991.

3. The present document presents cost rates for administrative and operational services based on 1990-1991 costs and delivery, as well as the reimbursement arrangements derived therefrom for activities carried out in support of UNDP-financed projects and programmes. These rates of

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reimbursement will also apply to the 1992-1993 biennium. For the cost per work month of technical support services, updated 1992-1993 figures (as reported by the consultants at an interagency meeting in February 1992) are presented as they do not depend directly on project delivery, but are based on the programme and budgets as approved.

I. ADMINISTRATIVE AND OPERATIONAL SERVICES

Methodology

4. After studying the methodology applied by the UNIDO Secretariat in the review of the cost identification system in UNIDO and the cost of regular budget support to technical cooperation and related activities (document PBC.6/12), the consulting firm adopted essentially the same approach for all agencies, but at a higher level of disaggregation of organizational units and cost components. The following steps were carried out:

(a) Eight separate clusters of administrative and operational services were established relating to the delivery of:

(i) International project personnel;
(ii) National project personnel;
(iii) Subcontracts;
(iv) Fellowships;
(v) Other training (study tours and in-service training);
(vi) Local purchase orders;
(vii) Headquarters purchases (small);
(viii) Headquarters purchases (large, i.e. over $70,000).

(b) For each major organizational unit in the respective secretariats the total cost was determined, including direct costs (such as travel) and common costs (such as space and currency fluctuation costs);

(c) Agency-wide central services costs (such as buildings management, electronic data-processing (EDP) and personnel) were distributed over other units on the basis of specific statistics such as space occupied, EDP time used and staff resources employed;

(d) For all organizational units contributing to each cluster of AOS services, a survey was carried out to establish the percentage of time spent by each unit on providing those services. By multiplying the resulting percentage by the total costs for each unit ((b) and (c) above) and adding the results across the agency as a whole for each cluster of AOS services, the consultants established the dollar cost of providing those services;

(e) For each agency, the delivery of technical cooperation was broken down by category of project input, corresponding to the AOS clusters cited in (a) above;

(f) The cost in percentage terms for each cluster was then determined ((d) above as a percentage of (e)).

Results

5. The results for the five agencies are shown in table 1 below. The differences between the five executing agencies in the above rates are due to a number of major determining factors:

Table 1

Costs as a percentage of delivery by cluster of services

	FAO	ILO	UNESCO	UNIDO	UNDTCD	Component weighted average
Project personnel						
International	16.22	20.10	22.15	15.91	13.04	16.62
National	21.87	22.53	31.36	19.20	9.02	20.57
Subtotal	17.08	20.44	24.77	16.26	12.41	17.22
Subcontracting	15.81	37.80	32.73	16.42	18.36	20.68
Training and fellowships						
Fellowships	15.55	43.53	45.58	21.76	20.93	22.07
Other training	62.12	46.68	31.85	26.51	25.13	38.33
Subtotal	28.87	45.58	34.12	24.49	23.02	30.36
Procurement of equipment and supplies						
Local purchase orders	8.11	15.37	88.41	9.58	9.69	11.40
Headquarters purchases (< $70,000)	21.20	20.01	28.18	12.60	15.01	17.83
Headquarters purchases (> $70,000)	18.10	5.64	18.71	3.88	6.11	7.61
Subtotal	12.08	16.06	36.73	9.39	12.11	13.59
Cost as a percentage of total delivery	17.17	24.07	30.38	15.17	14.36	18.43

(a) The findings of the cost measurement study suggest that cost rates are highly susceptible to changes in the volume of services performed. It would seem that each service calls for a certain minimal infrastructure if it is to be performed effectively, and that the cost of that infrastructure remains almost constant up to a certain level of delivery. 1/ In such instances (close to one half of the service categories), an increase in the volume of services delivered would reduce the cost rates considerably. In all other instances, the volume of services performed utilizes the capacity of the minimal infrastructure. Hence, an increase in services rendered would result in a less-than-proportionate increase in costs, thus yielding a more gradual decline in cost rates than in the first instance. In sum, it is probable that an increase in the volume of services delivered would result in lower cost rates.

(b) The rates are also highly susceptible to variations in the United States dollar exchange rate. For the four Europe-based agencies at least, the costs of services expressed in dollars decrease with the appreciation of the dollar against the local currency, with the opposite effect occurring when the dollar depreciates. Within these circumstances, though, project delivery is measured in dollars. Therefore, the ratio between cost and delivery varies inversely with the dollar exchange rate. (This does not apply to UNDTCD, which is based in New York.)

II. TECHNICAL SUPPORT SERVICES

Methodology

6. The methodology applied was as follows:

(a) In the time-measurement survey (see para. 4 (d) above) carried out for the AOS study, relevant staff in the agencies were requested to indicate the percentage of time spent on: (i) providing technical support to projects and (ii) on programme-level work;

(b) The total number of Professional staff-months available for the units involved in TSS-1 and TSS-2 services was determined on the basis of the programme and budgets;

(c) The total number of work months devoted to programme- and project-level technical support was determined by multiplying the percentage obtained under (a) by the total number of work-months obtained under (b);

(d) Similar to the methodology described in paragraph 4 (b) to (d) above, the average cost per work-month was computed by dividing the total estimated cost of programme-level activities and project-level technical support by the number of work-months obtained under (c).

7. In addition to the measurements above, the average direct salary costs (including common staff costs) were computed for the Professional staff involved in providing programme- and project-level technical support.

1/ In some extreme cases, the volume of services delivered is so low as to result in inordinately high cost rates (cf. the UNESCO rate for local purchase orders = 88.41 per cent).

Results

8. The following results were obtained for total 1992-1993 costs per work-month:

Table 2

Total cost per Professional work-month of services delivered (including General Service support and all other costs)

(In US dollars)

	TSS-1	TSS-2	TSS-1 & TSS-2 combined
FAO	25,953	20,404	23,835
ILO	31,418	24,652	26,868
UNDTCD	18,852	18,622	18,693
UNESCO	20,842	18,270	19,937
UNIDO	18,432	17,901	18,054
Weighted average	24,106	20,154	22,175

Table 3

Direct salary costs for Professionals involved in programme- and project-level technical services:

(In US dollars)

FAO	9,474
ILO	10,293
UNDTCD	9,338
UNESCO	9,779
UNIDO	8,138
Weighted average	9,514

III. CONCLUSIONS

9. When comparing organizations, UNDTCD should be treated with caution since it is the only organization located in a dollar-based economy. Furthermore, it does not have to maintain an independent headquarters operation since it is part of the United Nations. Although the consultants have attempted to measure equivalent costs, there are reasons to believe that certain cost advantages accrue from being part of a much bigger organization.

10. Of the four Europe-based organizations, it is evident from the study that UNIDO provides technical services at the lowest cost. Only a small part of the difference in those costs among the respective agencies is due to variations in cost levels. Most of the difference is due to:

(a) Lower average level and grade of Professional staff involved in providing technical services;

(b) A lower ratio of General Service staff to Professional staff.

11. The first point is vividly illustrated by comparing direct salary costs per Professional work-month: UNIDO costs are almost 15 per cent lower than those of UNDTCD (next lowest).

12. The results show a similar pattern for AOS services. In the overall average, UNIDO has the

lowest cost rate of the Europe-based agencies; of the five agencies surveyed, only UNDTCD has lower rates, for the reasons mentioned in paragraph 10 above. The rates of UNIDO are much lower than those of ILO, the organization that is closest to UNIDO in terms of delivery.

13. In addition to the two factors cited in paragraph 11 above, a different organizational and procedural approach is likely to be the major reason for the differences.

14. The cost measurement study demonstrates that, compared to similar organizations, UNIDO is a very lean organization whose costs for similar work are significantly lower. This has been achieved despite the fact that UNIDO works in a sector where the cost of specialized personnel tends to be higher than in such sectors as education, agriculture or labour. This underscores the fact that the scope for further savings or redeployment is extremely limited or even non-existent.

IV. ACTION REQUIRED OF THE COMMITTEE

15. The Committee may wish to take note of the findings described in the present report.

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OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES

Reimbursement for special trust fund projects in accordance with financial rule 106.21

Proposal by the Director-General

Summary

In compliance with General Conference resolution GC.4/Res.28 considers the application of financial rule 106.21 to special trust fund projects, taking into account the UNDP cost measurement study on reimbursement for programme support and administrative services.

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Introduction

1. The present document is submitted in response to General Conference resolution GC.4/Res.28 on guidelines for special trust fund projects, in which the Director-General is requested to present to the tenth session of the Industrial Development Board, through the Programme and Budget Committee, a proposal on the application of financial rule 106.21, taking into account the cost measurement study undertaken by the United Nations Development Programme (UNDP). The document presents the main results of the cost measurement study that are applicable to special trust fund projects and the structure of the successor arrangements, and analyses the composition of special trust fund project delivery. It then sets out a proposal for the reimbursement of support costs for special trust fund projects, in accordance with financial rule 106.21.

2. Financial rule 106.21 stipulates that programme support and administrative services for the preparation and implementation of projects and other activities of the programme of the Industrial Development Fund, of a trust fund or of a reserve or special account, shall be provided by the various units of the UNIDO Secretariat. In accordance with the same rule, reimbursement for such services from the resources of the Fund, trust fund or reserve or special account shall be authorized by the Director-General at the rate of reimbursement to executing agencies currently applied by UNDP, unless the estimated actual costs of programme support and administrative services in respect of an individual project or activity justify a different rate, to be set by the Director-General upon the advice of the Director, Financial Services.

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I. THE COST MEASUREMENT STUDY

3. The cost measurement study carried out in accordance with UNDP Governing Council decision 90/26 on agency support costs is the subject of a separate report contained in document IDB.10/7-PBC.8/3. The study analysed the costs incurred by the Food and Agriculture Organization of the United Nations (FAO), International Labour Organisation (ILO), United Nations Department of Technical Cooperation Development (UNDTCD), United Nations Educational, Scientific and Cultural Organization (UNESCO), and UNIDO in providing: (a) administrative and operational services to projects; (b) technical support services to projects; and (c) technical support services at the programme level. For the present report, the first two components are of direct relevance.

4. For administrative and operational services (AOS), the study identified eight clusters of services that are provided by executing agencies to ensure delivery of inputs to projects. The methodology used to measure the average cost of providing those services for each of the five agencies studied is described in document IDB.10/7-PBC.8/3, paragraph 4. Table 1 below gives the average costs to those agencies by service (column 1) compared with the costs to UNIDO (column 2). The reimbursement percentages that UNDP will use are also given (column 3); these percentages have been computed to provide an average weighted reimbursement of 10 per cent for existing delivery patterns, to reflect the reimbursement limitation established by the UNDP Governing Council in its decision 91/32, paragraph 20.

5. In the study, a completely different approach was adopted with regard to measuring and reimbursing the cost of providing technical support services to projects. As individual projects call for different volumes of various kinds of technical support, a percentage of delivery volume could not be used as a basis for reimbursement. It was decided therefore to base the amount of reimbursement on the time spent providing the services required, as identified in the project design or in the most recent project budget. The cost measurement study identified: (a) the average total cost to the five agencies of providing a Professional work-month of technical services, including all General Service support, a share in agency central services, costs of managing headquarters buildings, etc.; and (b) the average direct staff cost of Professional staff involved in the services concerned (see table 2 below). Reimbursements will be made at the rate of $9,000 for 1992 and $9,500 for 1993, with the balance of total costs provided by the agencies as a continuation of the existing cost-sharing arrangements.

Table 1

Costs of providing administrative and operational services expressed as percentage of related delivery, by cluster
(Percentage)

Cluster of services	Average costs to the five agencies		Costs to UNIDO		Reimbursement rates
Project personnel		17.22		16.26	
International	16.62		15.91		9
National	20.57		19.20		11
Subcontracting		20.68		16.42	11
Training and fellowship		30.36		24.49	
Fellowships	22.07		21.76		12
Other training	38.33		26.51		21
Equipment and supply procurement		13.59		9.39	
Local purchase	11.40		9.58		6
Headquarters purchases (< $70,000)	17.83		12.60		10
Headquarters purchases (> $70,000)	7.61		3.88		a/
Total percentage of delivery		18.43		15.17	10 b/

a/ 10 per cent up to $70,000, 4 per cent thereafter.

b/ See paragraph 4 above.

Table 2

Costs per work-month of technical support
(1992-1993)
(In US dollars)

	Average of the five agencies	UNIDO
Total cost	22,175	18,054
Direct costs a/	9,514	8,138

a/ Salary and related staff costs of Professional staff.

6. For technical support at the programme level, the same cost measurement results were applied. However, for reimbursement purposes, a different concept was developed. Since the Governing Council considered the current regular budget-financed activities carried out by agencies at the programme level (which are expected to continue at the same volume) to be agency contributions and the TSS-1 financed activities to be activities additional to the agencies' existing programme of work, UNDP would reimburse the total "additional" or "marginal" costs, including General Service and other support. For 1992-1993, a payment of $14,000 per Professional work-month was agreed upon; this figure notionally includes the amount of $9,000-$9,500 for direct costs of the Professional staff (or consultant) (see para. 5 above).

II. KEY FEATURES OF THE UNDP SUCCESSOR ARRANGEMENTS

7. The successor arrangements to the agency support costs system were designed to allow for or promote the following:

(a) In order to allow recipients and UNDP to draw on the different services or functions performed by agencies, it was decided to "unbundle" those services and functions and establish separate reimbursement systems and rates for each function and service. This covers three types of services or parts thereof: (i) technical support at the programme level (TSS-1); (ii) technical support at the project level (TSS-2); and (iii) administrative and operational support (AOS);

(b) A clear distinction has been drawn between three roles: national ownership, execution and implementation. Different parties could play these roles in any one project, with the agencies receiving reimbursement of the costs for each role they play.

III. ANALYSIS OF UNIDO TRUST FUNDS

8. In 1991, total delivery under various categories of trust funds amounted to some $31 million. Of this amount, some $9.5 million were accountable to activities related to the International Centre for Genetic Engineering and Biotechnology (ICGEB) for which a lower support cost rate was established since this major undertaking calls for relatively limited administrative and operational support from UNIDO Headquarters. Another $3.5 million were accountable to associate experts and another $0.5 million to an Investment Promotion Service office. In accordance with financial rule 106.21, special rates were established for those trust fund projects.

9. It follows from the above that trust fund delivery at present that is subject to the 13 per cent reimbursement system amounts to some $17.5 million of the $31 million delivered in 1991. However, the composition of those trust fund projects is very different from that of the UNDP indicative planning figure-funded projects, on which the cost measurement study and the AOS reimbursement rates are based. In the self-financed (SF) project category, some 90 per cent of delivery consists of international project personnel while in the third-party financed trust funds category, 67 per cent of delivery is related to international project personnel and 23 per cent to subcontracts. The cost measurement study of the five agencies found that in total delivery, international project personnel accounted for 47 per cent of total project value, national project personnel 8 per cent, subcontracts 7 per cent, equipment 24 per cent and training 14 per cent.

10. In addition to the above differences, project personnel contracts under trust funds are much longer than the average for UNIDO as a whole (approximately 3 work-months), and trust fund projects frequently involve the hiring of a number of project staff under contract from one and the same source. Furthermore, the size of subcontracts under trust fund projects is usually greater than the UNIDO average. These differences reduce the average cost of supporting the trust fund projects.

11. While it is virtually impossible to measure separately the costs of implementation for trust fund projects, it is evident from the above that the costs as a percentage of delivery are considerably lower than the 15.17 per cent established for UNIDO as a whole in the cost measurement study prepared in respect of the UNDP successor arrangements (see table 1).

12. Another factor must be taken into account. While for UNIDO, the technical cooperation activities funded by the UNDP indicative planning figure and the Industrial Development Fund (and the regular programme of technical cooperation) can be considered the main technical cooperation programme, trust-fund financed projects constitute an additional group of activities and the marginal cost of any additional activities related to those projects is considerably lower than the average costs identified in the cost study.

IV. CONCLUSION

13. The results of the analysis presented above indicate that the rates established under the successor arrangements for agency support costs would not be appropriate for trust fund projects. Furthermore, the key features of the UNDP successor arrangements outlined in paragraph 7 above, i.e. flexibility in terms of obtaining

individual agency services for parts of projects only, is likewise not relevant to trust fund projects. Trust fund projects in general, and self-financed projects in particular, are tailor-made to include only those inputs and services that are required of UNIDO.

14. As long as trust-fund financed activities (except those related to ICGEB, associate experts and similar special projects) continue to display the special features outlined above, it is reasonable to assume that the total marginal cost of providing AOS services to those projects is well below the 15 per cent established for all projects; in all probability, it is even below 10 per cent. If the direct costs of technical support to large projects of the type funded by the TSS-2 facility are added, the present 13 per cent will, in most cases, cover the cost to UNIDO.

15. With the introduction of the successor arrangements for agency support costs, the provision relating to the "rate of reimbursement to executing agencies currently applied by UNDP" referred to in financial rule 106.21 no longer applies. Given the results of the cost measurement study, the Director-General is in a position to apply the second part of the rule in accordance with the following proposal.

V. PROPOSAL

16. UNIDO will continue to monitor closely the composition and size of trust fund projects and related activities. Until such time as it becomes clear that the cost of supporting those projects differs appreciably from the present rate of reimbursement (13 per cent), that percentage will in principle apply to those projects.

17. For very large projects or projects with a composition of inputs that differs considerably from that of the average trust fund, specific rates may continue to be negotiated, due consideration being given to the costs as measured in the cost study. This applies specifically to projects with large equipment components.

18. For projects containing a heavy demand for technical support, the costs of providing those services should be built into the project itself, using the current rate for TSS-2 services applied to UNDP projects.

VI. ACTION REQUIRED OF THE COMMITTEE

19. The Committee may wish to take note of the proposal contained in the present document.

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FINANCIAL SITUATION OF UNIDO

Losses related to small catering items

Note by the Secretariat

Summary

Provides information on losses related to catering items for the years 1989, 1990 and 1991. In accordance with financial rule 109.15(a), requests approval for the write-off of those losses.

1. Since the introduction of an inventory control system for small items of the VIC Catering Service, it has been possible to accurately assess losses of such property. During the period 1990 to 1992, the Property Survey Board was presented with six cases covering losses of small catering items, resulting in the following total losses for those years:

Year	Total losses	Annual turnover	Losses at % of annual turnover
	(Austrian schillings)		
1989	791,884	55,411,600	1.43
1990	604,308 (of which 156,368 breakage)	55,553,565	1.09
1991	568,278 (of which 290,672 breakage)	60,777,700	0.94

2. The above figures may be compared with the normally acceptable margin of loss in a private restaurant business of 3 to 5 per cent of annual turnover. That notwithstanding, efforts to reduce losses have already yielded an improvement, as the above figures illustrate.

ACTION REQUIRED OF THE COMMITTEE

3. In order to comply with financial rule 109.15(a), which requires the prior approval of the Board upon the recommendation of the Programme and Budget Committee for the writing-off of a loss exceeding the amount of $15,000, the Programme and Budget Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board, upon recommendation of the Programme and Budget Committee:

"(a) Takes note of the report of the Director-General concerning losses of catering equipment (PBC.8/6-IDB.10/9);

"(b) Approves, in accordance with financial rule 109.15(a), the write-off of losses related to small items of the VIC Catering Service in the amounts described in paragraph 1 of document PBC.8/6-IDB.10/9."

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GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET

Regulatory framework for the implementation of Articles 16 and 17 of the Constitution

Report by the Director-General

Summary

In accordance with resolution GC.4/Res.28 describes the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution and submits the requested draft additions to the Board at its tenth session.

1. The Director-General, in his note to the Board at its eighth session (IDB.8/33), described the existing regulatory framework for the implementation of Article 16 of the Constitution concerning voluntary contributions. In paragraphs 9 and 10 of the note, the Director-General referred in particular to his bulletin UNIDO/DG/B.18 of 28 February 1986 containing guidelines on the preparation, processing, monitoring and negotiation of trust fund projects not funded from the Industrial Development Fund. In view of the growth experienced in the special trust fund programme and in order to take into account the experience gained by the Secretariat since UNIDO became a specialized agency, the Director-General announced his intent to revise bulletin No. 18 to provide a more detailed set of guidelines and procedures for special trust fund projects as well as for projects funded by the Industrial Development Fund and the regular budget (ibid., para. 10).

2. The present report is submitted pursuant to the following requests made by the policy-making organs: At its eighth session the Board adopted decision IDB.8/Dec.34 on evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world, which, in its paragraph (e), requested the Director-General to expedite the work on the revised bulletin with a view to enabling the Programme and Budget Committee to review it at its eighth session. Thereupon the General Conference, in paragraph 1 of resolution GC.4/Res.20, reiterated paragraph (e) of Board decision IDB.8/Dec.34, and in paragraph 8 of resolution GC.4/Res.28 on guidelines for special trust fund projects, inter alia invited the Director-General to report on the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution.

3. The Director-General has approved the issuance of a revised and expanded version of the above-mentioned bulletin which will be entitled "Model agreements and related guidelines for projects financed from trust funds, special-purpose contributions to the Industrial Development Fund, the general pool of the Industrial Development Fund or the regular budget". It is expected that the revised bulletin UNIDO/DG/B.18/Rev.1 will be available before the eighth session of the Programme and Budget Committee.

4. In chapter I, Introduction, Applicability of the new bulletin, a pragmatic approach is taken to the form in which project documents shall normally be approved on behalf of the Governments of recipient countries. For projects above a certain size, such approval should normally be expressed through a signature on the project document itself, while such acceptance may continue to be expressed and recorded by the Secretariat in a less formal manner for smaller projects and for regional, interregional and global projects. Taking into account that the purpose of the bulletin is to establish guidelines to be followed whenever possible, the Director-General will

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continue to apply those procedures in a flexible manner.

5. With respect to the guidelines in chapter III of the bulletin on the necessary legal framework that must be established between UNIDO and the Governments of recipient countries, attention is drawn to the fact that the Standard Basic Cooperation Agreement is applicable in only 18 Member States while it has been formally proposed to 120 Member States. Although negotiations are being actively pursued with a substantial number of Governments, it would greatly facilitate the Secretariat's implementation of future projects if more Governments would conclude the Standard Basic Cooperation Agreement with UNIDO, since in that event the ad hoc legal arrangements outlined in chapter III of the bulletin would normally no longer be necessary.

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Programme and Budget Committee

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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991

Comments of the Director-General on the report of the External Auditor

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Introduction

1. The Director-General, in presenting his comments on the report of the External Auditor covering the period 1990-1991 (IDB.10/4-PBC.8/9), would like to acknowledge, with thanks, the observations and constructive recommendations made in the report. As in previous bienniums, the External Auditor has conducted a detailed examination of the financial and administrative procedures of UNIDO, particularly in the areas of financial management, purchasing and contracting, electronic data-processing and evaluation of technical cooperation activities. The Director-General notes with appreciation that comments of the Administration are included in the External Auditor's report. The present document provides additional comments on the items requiring special attention under the main audit activity groupings contained in the report of the External Auditor.

I. SPECIFIC COMMENTS

Budgeting, accounting and financial reporting procedures (paras. 11-22 and 38-106)

Regular budget implementation (paras. 11 and 38-44)

2. The reduced level of unliquidated obligations as at 31 December 1991 when compared with previous fiscal periods results from a rigorous review of outstanding obligations by the Secretariat prior to the end of the 1990-1991 biennium. The Secretariat intends to maintain an ongoing review of unliquidated obligations throughout the 1992-1993 biennium.

Regular budget "other income" (paras. 12-15 and 45-59)

3. The financing of the shortfall in income from the unutilized balance of appropriations for the biennium 1986-1987 as approved in General Conference decision GC.4/Dec.15, paragraph (c)(ii) together with the relatively high level of unutilized appropriations for 1990-1991, caused mainly by the uncertain availability of cash resources, has resulted in a provisional unutilized balance as at 31 December 1991 of $5,340,036 (after adjusting for the change in the value of assessments due to exchange rate fluctuations). The net overexpenditure against appropriations foreseen in document PBC.7/15 did not arise owing to the reduced expenditure levels in the latter part of 1991.

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4. The Secretariat agrees with the observation of the External Auditor that procedures related to 'other income' should continue to be streamlined. The improvements to procedures will be facilitated by the more detailed breakdown in the programme and budgets for 1992-1993 of cost-shared activities and by changes in the allotment control procedures permitting the identification and accrual of cost reimbursable income.

5. At the time of preparing the 1990-1991 redeployment proposals to fund the additional electronic data-processing (EDP) costs contained in documents PBC.7/2 and GC.4/47, the Secretariat was conscious of the need to utilize general operating cost appropriations to the greatest extent possible for that purpose. By using general operating cost appropriations to fund most of the additional EDP costs, the redeployment of consultant, ad hoc expert meeting and travel funds from substantive departments was kept to a minimum. The increased funding requirements of the EDP programme were met mainly from reduced expenditures in other general operating costs including the deferral of some cost-shared buildings management work.

6. In the 1992-1993 budget, EDP non-staff costs and other general operating costs are clearly separated. Non-staff costs for EDP are budgeted as a separate major object of expenditure and financial performance reports will indicate expenditures under that heading. As regards other general operating costs, those expenditure items and activities which give rise to other income and, in particular, those costs related to the management of the VIC are separately identified in the budget document.

7. The improved budget control procedures introduced in 1992 will facilitate the accrual of cost-shared income related to the fiscal period in which the income is earned thereby fully complying with the principles of accrual accounting and UNIDO financial rule 110.9.

Appropriations and expenditures by major object of expenditure (paras. 16-17 and 62-66)

8. The Secretariat agrees with the recommendation (para. 16) that for future bienniums (including 1992-1993) expenditures should be grouped under major objects of expenditure for comparison with appropriated amounts. In this respect the 1992-1993 programme and budget document (GC.4/42) contains estimates presented by major object of expenditure. Financial performance reports issued for the 1992-1993 biennium will follow the format suggested in paragraph 66 and table 2 of the External Auditor's report.

Reporting to the policy-making organs on the amounts of the final regular budget expenditures by programme and by major object of expenditure (paras. 17 and 67-71)

9. Financial reports including reports on savings on the liquidation of obligations and final regular budget expenditures for a biennium will in future be prepared in line with the recommendations (para. 17) of the External Auditor. A final status of allotments for the biennium 1990-1991 including savings on unliquidated obligations will be presented to the ninth session of the Programme and Budget Committee.

General consideration on the modalities of policy-making organs budgetary control (paras. 18 and 72-78)

10. The Director-General supports the suggestion of the External Auditor (para. 18) that consideration be given to financial control of budget implementation along programmatic component lines. A change in emphasis in financial implementation control from major object of expenditure to programme resource allocations would be a major step forward towards a system of full programme budgeting and warrants further study.

UNIDO "net basis" budget presentation format (paras. 19 and 79-84)

11. The Auditor's comments on the subject of net basis budgeting (para. 19) are discussed in the addendum to the present document (PBC.8/17/Add.1-IDB.10/11/Add.1).

Accounts payable (paras. 20 and 85-90)

12. The Secretariat will give consideration to the recommendation (para. 20) by the External Auditor that a register of credit claims be established. However, the Secretariat believes that the current systems and procedures for recording accounts payable and obligations are adequate to ensure that all liabilities of the Organization are accounted for in the financial records.

Unliquidated obligations - UNDP operating fund (paras. 21 and 91-101)

13. Notwithstanding the comments of the External Auditor on the adherence to procedures on the carry-over of unliquidated obligations (para. 21), the Secretariat believes that the current procedures for review are adequate. However, in response to the Auditor's comments, certifying officers and managers will be reminded of their responsibilities to make thorough reviews of obligations and advise Financial Services of any changes required.

Financial management control statement technique (paras. 22 and 102-106)

14. The introduction of a statement of sources and application of funds (para. 22) into the financial statements for 1990-1991 (schedule 3.3 of PBC.8/9-IDB.10/4) is a positive result of previous constructive recommendations of the External Auditor.

Purchase and Contracts (paras. 25-28 and 112-132)

15. Whereas the External Auditor notes that in the 1990-1991 biennium there were still a number of cases where exceptions to formal bidding and calling for proposals (financial rule 109.19) were invoked for both contracts and purchases, at the same time, he acknowledges "... that the continued efforts made by the Contracts Committee as well as the Contracts and Purchase Sections in order to improve the procedures and the selection process of companies invited to bid and of the final selection of contractors and suppliers ..." (para. 131) and observes that "... the various requests for the waiver of international bidding were made and written justifications were provided, in conformity with the relevant Financial Rules" (para. 120). The Director-General

has noted with interest the positive reaction from the External Auditor on the efforts of the management of UNIDO to finalize new terms of reference for the Committee on Contracts to overcome many of the points raised during the audit exercise.

16. The Secretariat has also actively responded to the recommendation of the External Auditor (which he also made last year), concerning the updating of the roster of consulting engineering organizations and institutions. Provided the current pace can be maintained and funds made available for the purpose, that exercise, which will encompass some 3,500 consulting companies, is scheduled for completion by the end of 1992.

17. With regard to the roster of equipment manufacturers and vendors, the development of which was very slow for want of a unified, system-wide questionnaire, an all-out effort is now being made. In fact, the new United Nations Computer Coding System questionnaire, developed by the Inter-Agency Procurement Services Office under the direction of the Inter-Agency Procurement Working Group and with the participation of practically all the agencies of the United Nations system (among which UNIDO was one of the most active promoters and contributors) has already been addressed to some 900 companies. The questionnaires received so far have been transferred to the UNIDO database.

18. In those two activities and in the preparation of invitee lists for consulting services and bidders, as well as lists for equipment purchases, constant and careful consideration is being paid to consulting companies and equipment manufacturers and vendors from both developing and underutilized major donor countries. At this juncture, all such lists of invitees and bidders include an appropriate number of companies from both groups of countries.

19. The Industrial Development Board has already been informed and the External Auditor has acknowledged that the manual on policies, procedures, rules and regulations governing the activities of the Purchase and Contracts sections is at an advanced stage of preparation.

Technical cooperation activities (paras. 29-32 and 133-152)

20. The Secretariat takes note of the comments of the External Auditor on the programme performance evaluation reports submitted by field offices and agrees that some improvement in the timeliness of the submission and analysis of reports is desirable. Action will be taken to reduce delays in this important area.

21. The Secretariat agrees that improvements to project design are required but that the implementation of project outputs in line with plans are often influenced by factors beyond the control of the Secretariat.

22. The Secretariat welcomes the comments of the External Auditor on the quality of performance reports and tripartite in-depth evaluations as well as on the importance of the internal evaluation system as a management tool.

Electronic data-processing system (paras. 33-35 and 153-180)

23. The Secretariat notes the External Auditor's observations on the computerization programme that a provisional cost reduction in the EDP programme of $1,880,209 as a consequence of renegotiation of major contracts has been accomplished. These reductions were achieved by significant adjustments in hardware and software costs through a consolidated approach to the revision of total programmes in line with the recommendations of the consultants.

24. The Secretariat supports the view that it is most important for UNIDO staff to be fully trained and encouraged to accept and utilize the tools and applications available to provide valuable support to programmes and to improve the quality of their work.

Internal audit function (paras. 36 and 181-187)

25. The Director-General is pleased to note the remark made by the External Auditor that the Internal Audit Unit is performing relatively well and concurs with the External Auditor's recommendation that the draft mandate of the internal audit should be finalized and communicated organization-wide. The draft mandate will be finalized shortly.

26. The Director-General takes note of the External Auditor's recommendation that the Unit should be staffed with at least three Professional auditors (currently two) and two General Service assistant auditors (currently none). The Director-General recognizes the need to strengthen the Unit's capability to review the adequacy of the controls that should be built into major new systems or procedures and intends to take appropriate measures to the extent possible under the current financial and budgetary constraints.

II. ACTION REQUIRED OF THE COMMITTEE

27. The Committee may wish to take note of the Director-General's comments and of the action taken in response to the observations and the concerns expressed by the External Auditor.

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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991

Net basis budgeting

Report by the Director-General

Summary

Addresses the concerns raised by the External Auditor on the net basis system of budgeting and proposes an alternative.

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Introduction

1. The External Auditor in his report covering the period 1990-1991 (IDB.10/4-PBC.8/9, paras. 79 to 84) has made specific comments on the net basis budget presentation format adopted for the presentation of the 1992-1993 programme and budget estimates. The present paper discusses the net basis system of budgeting and proposes an alternative approach to the presentation of the budgetary estimates.

I. BACKGROUND

2. In the format approved by the Industrial Development Board for the programme and budgets, 1992-1993 (IDB.7/Dec.11), budgetary estimates were to be presented on a "net" basis: reducing the gross estimates by the cost reimbursement income derived from activities of cost-shared joint and common services undertaken in Conference Services and Administration. Thus the net cost of UNIDO activities would be presented for approval to the policy-making organs.

3. Although the programme and budgets for 1992-1993 were subsequently prepared along those lines and duly adopted, some Member States raised questions during the fourth session of the General Conference about the propriety of presenting budgetary estimates on a net basis. The External Auditor has submitted comments and observations to the Secretariat on the preparation of budget estimates on that basis (IDB.10/11-PBC.8/17, paras. 79-84). In those comments and observations, the External Auditor expressed the opinion that the presentation of the estimates in that form did not meet the requirements of universality governing the presentation of budget estimates. They opined that such estimates should include the estimated cost of all transactions, including those with third parties, and the estimates of income relating to those transactions should be shown as such.

4. The External Auditor also observed that the net basis presentation was inconsistent with the Financial Rules and Regulations of UNIDO concerning the presentation of budgetary estimates for income and expenditures.

5. The presentation of the budget estimates contained in the programme and budgets for 1992-1993 (GC.4/42 and Add.1) complied with the format approved by the Board. The approved format indicated more clearly than the previous format the costs of UNIDO programmes to the Member States since it netted the cost of work done for other agencies against the reimbursement received for those services. The budgetary estimates thus

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presented on a net basis were not distorted by the high proportion of cost reimbursable activities carried out in the support areas, particularly in the Department of Administration. Introductory paragraphs 103 and 104 and annex J of the programme and budgets, 1992-1993 (GC.4/42) provide a detailed breakdown of the gross and net costs to UNIDO (at 1991 rates).

II. AN ALTERNATIVE APPROACH

6. Notwithstanding the above arguments in favour of presenting budget estimates on a net basis, the Secretariat recognizes the validity of the External Auditor's observations on the need to ensure that the financial implementation and reporting of the programme and budget income and expenditures for 1992-1993 as well as the presentation of budgetary estimates for 1994-1995 fully comply with the Financial Rules and Regulations.

7. In order to meet the concerns expressed by the External Auditor and to ensure compliance with the Financial Rules and Regulations, a change is required in the basis of presentation and format of the programme and budgets approved by the Industrial Development Board at its seventh session. By way of illustration, the change in presentation of the 1992-1993 appropriations contained in GC.4/42/Add.1 and approved in GC.4/Res.27 would be as follows:

8. The amounts in column 1 reflect the gross estimates including cost reimbursable expenditures; those in column 2 the cost reimbursement income estimates. The appropriation net of cost reimbursement income is shown in column 3. The assessments of Member States would remain unchanged as these are based on the appropriation total shown under column 3 ($181,013,400) less the miscellaneous income estimate of $1,750,600. The resultant sum ($179,262,800 at US$1 = AS 12.90) is the appropriation presented on a net budget basis and approved by the General Conference (GC.4/Res.27, subpara. 3 (a)).

9. The External Auditor has indicated that the presentation of the budget estimates as shown in the table below would meet the requirements of the financial rules and regulations.

III. ACTION REQUIRED OF THE COMMITTEE

10. The Committee may wish to take note of the implications of the net basis presentation of the programme and budgets estimates as contained in the present document and to recommend to the Industrial Development Board that future budget estimates be presented on a gross and net basis, including expenditure and income for cost reimbursable activities.

(In United States dollars)

	Appropriation including reimbursable cost estimates (1)	Cost reimbursement income (2)	Appropriation net of reimbursable costs (3)
Policy-making Organs	2,543,000	-	2,543,000
General Management	6,113,300	-	6,113,300
Programme and Programme Development	33,047,200	-	33,047,200
Industrial Promotion, Consultations and Technology	17,267,800	-	17,267,800
Industrial Operations	35,431,500	-	35,431,500
Common Programmes	15,786,200	-	15,786,200
External Relations, Public Information, Language and Documentation Services	27,172,300	3,627,500	23,544,800
Administration	77,034,200	29,754,600	47,279,600
TOTAL	214,395,500	33,382,100	181,013,400

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SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES

Progress report by the Director-General

Summary

Reports on progress made in the formulation and implementation of the Special Programme for Industrial Development in the Arab Countries, in particular concerning activities carried out in response to General Conference resolution GC.4/Res.5.

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Introduction

1. The General Conference at its fourth session adopted resolution GC.4/Res.5 in which it took note of the progress report by the Director-General (GC.4/27) and requested him to formulate the Special Programme so as to address regional activities devoted to increased industrial cooperation among Arab countries as well as activities aimed at meeting the urgent needs of the Arab least developed countries. The Director-General was also requested to ensure that the programme activities address the priorities of: training and development of human resources; standardization and quality control; development of technological functions and capacity; marketing and trade in industrial products; industrial information; and agro- and agro-based industries (para. 3 of the resolution). Other requests related to the need to secure the necessary funds for the speedy implementation of the identified projects, to enhance the capabilities of the Arab Countries Programme in the Secretariat to cope with the increased demands of the activities of the Special Programme, and to ensure the full collaboration of the specialized Arab organizations to formulate and follow up the activities of the Programme.

2. The present report on progress achieved in implementing the above requests is submitted to the General Conference at its fifth session through the Board at its tenth session in compliance with paragraph 8 of resolution GC.4/Res.5.

I. ELABORATION OF THE SPECIAL PROGRAMME

3. Pursuant to paragraph 2 of General Conference resolution GC.4/Res.5, UNIDO has initiated activities to assess the immediate needs for closer industrial cooperation among Arab States as well as the needs of the Arab least developed countries.

4. The main activity carried out by UNIDO for that purpose in 1992 was the Inter-agency Meeting for the Special Programme for Industrial Development in the Arab Countries convened in Vienna from 26 to 28 February in cooperation with the League of Arab States (LAS), the Arab Industrial Development and Mining Organization (AIDMO) and the United Nations Economic and Social

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Commission for Western Asia (ESCWA). Participants in the meeting comprised representatives from those regional organizations, the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development, a number of Arab national institutions and permanent missions of Arab States to UNIDO. The meeting focused on the elaboration of the components of the Special Programme, the selection of priorities from among proposals for technical cooperation projects, the preparation of a plan of action for the 1992-1993 biennium, and the mobilization of resources for the implementation of the Special Programme.

5. The discussions at the meeting were based on a working paper prepared by a UNIDO consultant on these matters and a set of 14 project profiles prepared jointly by UNIDO, AIDMO and ESCWA that covered, inter alia, development of human resources, standardization and quality control, technological development, and industrial information. Guidelines and a plan of action were formulated for the Special Programme for the 1992-1993 biennium and agreement was reached on certain organizational arrangements aimed at achieving closer cooperation and coordination between UNIDO and the regional collaborating organizations with a view to expanding and promoting industrial activities under the Special Programme. It was agreed that UNIDO, AIDMO, LAS and ESCWA would in future meet twice a year to review the progress of the implementation of the programme and to discuss their contribution and commitments to the new activities and projects. The next meeting is scheduled to take place at Cairo, Egypt, at LAS headquarters, in September/October 1992.

6. Copies of the report of the inter-agency meeting (PPD.222(SPEC.)), which was distributed to all Arab regional and international organizations concerned upon finalization, are available with the Secretariat.

7. With regard to the request addressed to the Director-General in paragraph 5 of Conference resolution GC.4/Res.5 to enhance the capabilities of the Arab countries programme in the Secretariat, more effective utilization of the staff has been undertaken including redistribution of staff assignments. Furthermore, a high-level consultant was recruited to help elaborate more specifically the components of the Special Programme, consolidate the project profiles and work out the plan of action of the current biennium.

II. PROJECTS COMPLETED OR UNDER CONSIDERATION

8. Since the adoption of General Conference resolution GC.4/Res.5, UNIDO has approved and implemented a number of activities in the areas falling under the priorities identified in paragraph 3 of the resolution, e.g.:

(a) Joint UNIDO/Arab School of Science and Technology (ASST) workshop on composites and advanced materials: development and technology (Damascus, Syrian Arab Republic, 16-22 February 1992);

(b) National workshop on cost accounting in the food industry (Khartoum, Sudan, 1-12 December 1991);

(c) Workshop on industrial project preparation, evaluation and the application of the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR) (Cairo, Egypt, 2-3 December 1991);

(d) Regional workshop on maintenance of textile machinery for Arab least developed countries (Alexandria, Egypt), approved and to be implemented in the near future;

(e) Joint UNIDO/ASST workshop on information technology and applications (Damascus, Syrian Arab Republic, 25-31 May 1992);

(f) Consultancy services regarding the establishment of a data bank for the Arab Railways Union;

(g) Consultancy services regarding the establishment of a data bank for the Arab Union for Cement and Building Materials (AUCBM).

9. In cooperation with the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries (Lebanon) a project formulation mission was fielded to prepare a project document for the establishment of a regional trade information centre at Beirut and the project is now ready and under active consideration by UNIDO. Another mission was fielded to the Syrian Arab Republic to identify new projects and prepare documents for a number of projects previously discussed in relation with the activities described in paragraph 8 (f) and (g) above. As a result, project documents have been prepared for:

(a) The establishment of a data bank for the Arab Railways Union;

(b) The establishment of a data bank for AUCBM;

(c) The Arab School of Science and Technology concerning:

(i) The establishment of an industrial data bank;

(ii) The establishment of a centre for software development, training and marketing;

(iii) New and renewable sources of energy;

(iv) The establishment of an Arab materials research centre.

These project documents are currently being appraised and considered for approval in the light of available resources.

10. At the inter-agency meeting mentioned above, some of the Arab regional organizations indicated that they may contribute to the financing of certain projects through cost sharing arrangements with UNIDO. Pending concrete decisions in that respect, the mobilization of financial resources will be pursued further with all financing agencies in the region. Joint efforts will also continue with the Arab League, AIDMO and other organizations in order to develop the activities of the Special Programme and secure the required financial resources.

III. ACTION REQUIRED OF THE BOARD

11. The Board may wish to take note of the present report and provide guidance for further action.

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MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

Applications from non-governmental organizations for consultative status

Note by the Director-General

Summary

Provides information on the following four non-governmental organizations applying for consultative status with UNIDO: the International Academy of Technological Sciences, the International Statistical Institute (ISI), the Pan African Union of Science and Technology (PUST) and the Professors' Association of Metrologists (PAM).

1. In accordance with Article 19.1 (b) of the Constitution of UNIDO and the Guidelines for the Relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (decision GC.1/Dec.41), in particular paragraph 17 of the annex thereto, information on four international non-governmental organizations (NGOs) seeking consultative status with UNIDO is circulated to the members of the Board in the annex to the present document. More detailed information on each NGO is available with the Secretariat.

2. Paragraph 17 of the annex to the Guidelines stipulates that the Board shall establish appropriate procedures for reviewing applications from NGOs for consultative status. To facilitate and accelerate its work, the Board may wish to follow the practice established at previous sessions and request the Bureau of the Board to review the applications of, and information on, the four NGOs annexed to the present document and to submit its recommendations to the Board for consideration at its current session.

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PROFESSORS' ASSOCIATION OF METROLOGISTS (PAM) 4

The designations employed and the presentation of the material in the present document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

INTERNATIONAL ACADEMY OF TECHNOLOGICAL SCIENCES

Historical background

Founded as the Academy of Technological Sciences of the Union of Soviet Socialist Republics; became international after the establishment of the Commonwealth of Independent States in December 1991.

Statutes

Available

Structure of governing bodies and administration

General Meeting: highest body, meets normally once a year
Presidium: highest administrative body
President of the Academy (Chairman of the Presidium, elected by the General Meeting for a period of five years)
Secretariat

Activities related to the work of UNIDO

(a) Consolidates efforts of scientists and technology institutes of various countries for the further development of science and technologies, including those aimed at the protection of the environment;

(b) Establishes and develops links with the scientific, technological, business and public sectors of society concerned with the development of technologies and solution of technical problems;

(c) Organizes and implements international scientific technological projects and programmes;

(d) Organizes and participates in international conferences, symposia, exhibitions on the development and introduction of science and ecologically-pure technologies such as the international conference and exhibition "New High Technology 92", and the international conference and exhibition "Nano-technology-2" (Moscow 1993);

(e) Arranges for the exchange of experience among scientists from different countries;

(f) Publishes international scientific magazines and articles on science and technology;

(g) Assists in the introduction of advanced developments, innovations and application of advanced results from research in technological sciences.

Relations with the United Nations and other IGOs

United Nations Educational, Scientific and Cultural Organization

Relations with NGOs

Cooperates with research and development institutes and universities. Many of its members come from these types of organizations.

Documentation confirming international character of membership

Available

Membership

Scientists and technologists from the Commonwealth of Independent States, as well as from Austria, Brazil, France, Germany, Italy, Japan, Republic of Korea, Switzerland, Turkey, United Kingdom of Great Britain and Northern Ireland and the United States of America.

Address of headquarters

9 Leninski Prospekt
117049 Moscow
Russian Federation

Tel: 236 64 83
Telefax: 290 68 94
Telex: 411 023 VME SU

INTERNATIONAL STATISTICAL INSTITUTE (ISI)

Historical background

Established in London on 24 June 1885, the International Statistical Institute is one of the oldest international scientific associations. The Institute is committed to the promotion, development and dissemination of statistical methods and their applications throughout the world.

Statutes

Available

Structure of governing bodies and administration

General Assembly (meets every two years)
Executive Committee: composed of the Institute's officers (President, President elect and three Vice Presidents) who are elected by the General Assembly
The Council: composed of sixteen individual members, the immediate former President, the Sections' Presidents and the Secretary/Treasurer as an ex-officio member
Director of the Permanent Office: appointed by the Executive Committee, acts as Secretary/Treasurer

Activities related to the work of UNIDO

(a) Develops and improves statistical methods and their applications throughout the world. In particular it seeks:

- To encourage international cooperation and association between statisticians and the exchange of their professional knowledge and findings;
- To further the international integration of statistics by developing world-wide relations between statistical societies and other official and unofficial organizations having statistical interests;
- To contribute to the improvement of statistical education and promote training in statistics;
- To advance the study of statistical theory, appraise statistical methods and practices, encourage statistical research, and further the application of statistical methods in all relevant fields;
- To promote the use of the most appropriate statistical methods in all countries;
- To improve the international comparability of statistical data.

(b) Through its Standing Committee on Statistics in Industry stimulates and fosters technical interactions relevant and related to the role of statistics in industry among those involved in statistical theory and applications, computing technology and survey methodology. Essentially, this Committee acts as an umbrella organization focusing on the research and application of statistical concepts and methodologies in industry. UNIDO (Industrial Statistics and Sectoral Surveys Branch) has participated in the work of the Committee.

Relations with the United Nations and other IGOs

United Nations Economic and Social Council and United Nations Educational, Scientific and Cultural Organization

Relations with NGOs

American Society for Quality Control; Biometric Society; Econometric Society; European Organization for Quality; Institute of Management Science; Institute of Mathematical Statistics; Inter American Statistical Institute; International Actuarial Association; International Association for Research in Income and Wealth

Documentation confirming international character of membership

Available

Membership

Some 1,700 elected members and 3,300 additional individual members from over 120 countries. Ex-officio members include individual staff from the Statistical Divisions of many United Nations and other international organizations, such as the United Nations Statistical Office; the United Nations Population Division; the Economic Commissions for Africa, Asia and the Pacific, Latin America and the Caribbean, Europe; the Statistics Adviser of the World Bank; the Statistics Division of the Food and Agriculture Organization of the United Nations; the International Labour Organisation.

Address of headquarters

428 Prinses Beatrixiaan
P.O. Box 950 Tel: (31) 70 3375737
2270 AZ Voorburg Telefax: (31) 3860025
The Netherlands Telex: 32260 isi ni

PAN AFRICAN UNION OF SCIENCE AND TECHNOLOGY (PUST)

Historical background

Founded 30 June 1987 at First Congress of African Scientists and Technologists convened by the Organization of African Unity (OAU) at Brazzaville, Congo. Legal texts and action programme adopted in 1990 by the Second Congress of African Scientists and Technologists, held at Accra, Ghana.

Statutes

Available

Structure of governing bodies and administration

Congress
Executive Council
Secretariat

Activities related to the work of UNIDO

(a) Sector-based topics: food sufficiency, new and renewable energy;

(b) Strategic topics: inventories of scientific and technological potentials, scientific training;

(c) Organization of congresses and symposia on topics related to science and technology;

(d) Projects and activities directly related to industrialization priorities for Africa;

(e) Several publications, including a regular Newsletter.

Relations with the United Nations and other IGOs

Economic Commission for Africa; European Community; Food and Agriculture Organization of

the United Nations; Organization of African Unity; United Nations Development Programme; United Nations Centre for Science and Technology for Development; United Nations Educational, Scientific and Cultural Organization

Relations with NGOs

International Council of Scientific Unions; Academy of Sciences of the Third World

Documentation confirming international character of membership

Available

Membership

National, regional and subregional organizations/institutes/universities from the African region.

Address of headquarters and regional office

Avenue E. P. Lumumba
P.O Box 2339
Brazzaville,
Congo

Tel: 83 22 65/83 65 35
Telefax: 83 21 85
Telex: 5511 UPST KG

PROFESSORS' ASSOCIATION OF METROLOGISTS (PAM)

Historical background

The Constituent Conference of the Association was held at Tashkent on 15 November 1990 when the charter of the Professors' Association of Metrologists was adopted. The charter was registered by the Ministry of Justice of the former Union of Soviet Socialist Republics on 29 April 1991. After the establishment of the Commonwealth of Independent States (CIS) in December 1991, PAM, preserving all of its members, structure and ruling bodies, became an international organization.

Statutes

Available

Structure of governing bodies and administration

General Assembly
Board
Executive Management
Auditing Commission

Activities related to the work of UNIDO

(a) Main activities geared to improving quality of metrology education and skills of scientists, staff and students from institutes and universities. Includes organization of courses for training and retraining;

(b) Conducts pedagogical activities and research and publishes results;

(c) Scientific and pedagogical activities promoted through lectures, seminars, symposia and exhibitions;

(d) Participates in international activities organized by other bodies, such as the general conference on weights and measures.

Relations with the United Nations and other IGOs

Currently establishing legal ties with United Nations organizations.

Relations with NGOs

European Organization for Quality; International Electrotechnical Commission; International Measurement Confederation; International Organization for Standardization.

Documentation confirming international character of membership

Available

Membership

Members are from organizations and societies in the CIS such as the Scientific and Technical Society of the instrument-making industry and the A.S. Popov Scientific and Technical Radio Engineering and Electric Communication Society.

Address of headquarters

20 Stromynka Street
107076 Moscow
Russian Federation

Tel: 269 5110
Telex: 111108 RANG

President:
26 Bronnitskaja Street
198147 St. Petersburg
Russian Federation

Tel: 292 3503

The Association has offices also in Azerbaijan, Belarus, Kyrgyzstan, Latvia, Ukraine and Uzbekistan.

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United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Tenth session
Vienna, 2-6 November 1992
Item 4 of the provisional agenda

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS EIGHTH SESSION

(29 June - 3 July 1992)

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Distr.: 13 July 1992

Introduction

1. The Programme and Budget Committee held its eighth session at UNIDO Headquarters, Vienna International Centre, from 29 June to 3 July 1992. The following 26 of the 27 members of the Committee participated in the session:

Algeria, Austria, Brazil, Bulgaria, China, Colombia, Cuba, Egypt, France, Germany, India, Italy, Japan, Kenya, Mexico, Netherlands, Nigeria, Philippines, Poland, Qatar, Russian Federation, Rwanda, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

2. The following 50 Members of UNIDO also attended the session:

Argentina, Australia, Belarus, Belgium, Bolivia, Cameroon, Canada, Chile, Congo, Costa Rica, Croatia, Czechoslovakia, Democratic People's Republic of Korea, Denmark, Ecuador, Finland, Greece, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Kuwait, Lebanon, Luxembourg, Malaysia, Morocco, Namibia, Oman, Panama, Paraguay, Peru, Portugal, Republic of Korea, Saudi Arabia, Slovenia, Spain, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yemen, Zaire, Zimbabwe.

3. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation G. E. Clark (United Kingdom of Great Britain and Northern Ireland) as Chairman; S. A. Adekanye (Nigeria), M. Wejtko (Poland), and J. Y. Jamal (Qatar) as Vice-Chairmen; and S. Quijano-Caballero (Colombia) as Rapporteur.

4. The agenda for the eighth session as adopted by the Committee is contained in document PBC.8/1/Rev.1. Following the adoption of the agenda, the Director-General made an introductory statement which was duly taken into account by the Committee in the consideration of the relevant agenda items.

5. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

6. The report contains the conclusions reached by the Committee. Statements of principle by some delegations wishing to go on record as well as statements made in connection with the adoption of conclusions are contained in annex I to the report. As requested, the report of the Chairman of the informal in-session consultations for the drafting of conclusions appears in annex II. Annex III contains a list of documents submitted to the Committee at its current session.

7. The following conclusions of the Committee contain recommendations that call for action by the Board at its tenth session or are of relevance to the work of that session:

Conclusion	Subject
92/2	Report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991
92/3	Use of unutilized balances of appropriations
92/4	Implementation of the recommendations of the External Auditor for the financial period 1988-1989
92/5	Financial situation of UNIDO: measures to stabilize the operational budget
92/6	Losses related to small catering items
92/7	Application of the split-currency system of assessment
92/8	Operational budget: reimbursement for programme support and administrative services
92/9	Guidelines and procedures governing acceptance and funding under special trust funds, Industrial Development Fund and the regular budget
92/10	Medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995), and practice of zero real growth budgets
92/11	Industrial Development Fund and other voluntary contributions
92/12	Financial regulation 4.1, paragraphs (d) and (e)
92/13	UNIDO Country Director Programme

8. On 30 June, the Committee observed a minute of silence in tribute to the memory of President Mohammed Boudiaf of Algeria, President of the High State Council.

I. ORGANIZATIONAL MATTERS

9. On 29 June, the Committee considered a proposal by the Chairman to optimize the utilization of available conference-servicing resources and adopted the following conclusion:

Conclusion 92/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its eighth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Vice-Chairman S. A. Adekanye (Nigeria) to chair those consultations.

II. REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (item 4); USE OF UNUTILIZED BALANCES OF APPROPRIATIONS (item 7); IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989 (item 11)

11. On 29 June, the Committee considered the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1990-1991 ended 31 December 1991 (PBC.8/9) and the comments of the Director-General thereon including a report by the Director-General on net basis budgeting (PBC.8/17 and Add.1); and the financial performance report for the biennium 1990-1991 (PBC.8/5) and programme performance report for that biennium as reflected in the Annual Report of UNIDO, 1991 (IDB.9/10 and Corr.1 and 2), both submitted by the Director-General. The Committee also considered a report by the External Auditor stating his opinion on the allocation of any retained unutilized balances of regular budget appropriations of UNIDO to those original programmes that had been affected (PBC.8/12) and a report by the Director-General on action taken with regard to the manual of administrative policies and procedures of the Organization (PBC.8/7).

12. On 2 July, after consideration of a draft conclusion on the report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991 submitted by the Chairman (PBC.8/L.7), the Committee adopted the following conclusion:

Conclusion 92/2

The Programme and Budget Committee:

(a) Considered document PBC.8/9 and endorsed with appreciation the opinions presented therein by the External Auditor concerning the accounts of UNIDO referring to the biennium 1990-1991;

(b) Considered the comments of the Director-General on the report of the External Auditor (PBC.8/17), the financial performance report for the biennium 1990-1991 (PBC.8/5) and the report by the Director-General on the net basis budget presentation format (PBC.8/17/Add.1);

(c) Recognized the important contribution the External Auditor makes to the enhancement of UNIDO's overall performance;

(d) Recalled, in that context, the necessity for full compliance in all circumstances with the UNIDO Constitution and the Financial Regulations of UNIDO;

(e) Requested the Director-General to take into consideration the observations in the report of the External Auditor and to report to the Board at its tenth session on the steps taken towards implementation of the recommendations contained therein, especially with regard to the following audit observations:

(i) The External Auditor's conclusion that the existing mechanism whereby the policy-making organs control regular budget implementation by major objects of expenditure might be better replaced by one along programmatic budget lines;

(ii) The presentation of future regular budgets, including the one covering the biennium 1994-1995, on a gross and net basis so as to comply with financial regulation 4.1 (a) and with the principle of universality of the budget, which requires that all transactions with third parties which have a financial outcome be included in the budget;

(iii) Adjustment of the budgetary, accounting and financial reporting procedures of the Organization to comply with the recommendations of the External Auditor as contained in document PBC.8/9;

(iv) The conclusions and recommendations of the External Auditor relating to the Internal Audit Unit of the Organization, as contained in paragraphs 181 to 187 of document PBC.8/9, particularly those relating to the strengthening without delay of the internal audit function, through the redeployment of professional and general service posts, and the formulation of a clear and concise mandate for this function to ensure its operational independence, impartiality and effectiveness.

13. On 2 July, after consideration of an oral proposal by the Chairman on the use of unutilized balances of appropriations, the Committee adopted the following conclusion:

Conclusion 92/3

The Programme and Budget Committee took note with appreciation of the report of the External Auditor stating his opinion on the allocation of any retained unutilized balances of regular budget appropriations of UNIDO to those original programmes that had been affected (PBC.8/12).

14. On 2 July, after consideration of a draft conclusion on the implementation of the recommendations of the External Auditor for the financial period 1988-1989 submitted by the Chairman (PBC.8/L.3), the Committee adopted the following conclusion:

Conclusion 92/4

The Programme and Budget Committee:

(a) Took note of the report of the Director-General on the implementation of the recommendations of the External Auditor for the financial period 1988-1989, as contained in document PBC.8/7;

(b) Noted the completion of the draft version of the financial manual and requested the Director-General to finalize the manual of administrative policies and procedures of the Organization, as requested in Board decision IDB.8/Dec.30;

(c) Further requested the Director-General to review and improve as feasible the application of the last sentence of paragraph (f) of appendix G to the Staff Rules, taking into account the practice prevailing in the common system of the United Nations, in order to effect sizeable economies in the official travel costs of the Organization, as recommended in paragraphs 77 to 81 of the Report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund for the financial period 1988-1989 ended 31 December 1989 (PBC.6/15), and report to the Board on the matter at its tenth session.

III. FINANCIAL SITUATION OF UNIDO (item 5); APPLICATION OF THE SPLIT-CURRENCY SYSTEM OF ASSESSMENT (item 15)

15. On 29 June, the Committee considered the report by the Director-General on the financial situation of UNIDO as of 31 May 1992 (PBC.8/18) and a conference room paper submitted by the Secretariat (PBC.8/CRP.4); a note by the Secretariat on losses related to small catering items (PBC.8/6); as well as a report by the Secretariat on application of the split-currency system of assessment (PBC.8/11).

16. On 2 July, after consideration of a draft conclusion on the financial situation of UNIDO: measures to stabilize the operational budget submitted by the Chairman (PBC.8/L.9), the Committee adopted the following conclusion:

Conclusion 92/5

The Programme and Budget Committee:

(a) Recalled Industrial Development Board decisions IDB.3/Dec.20 and IDB.9/Dec.13;

(b) Took note of the financial situation of UNIDO with regard to the operational budget, as described in the report on the financial situation of UNIDO contained in document PBC.8/18;

(c) Requested the Director-General to take necessary measures to balance the operational budget as soon as possible but at the latest by the end of 1993 through inter alia:

(i) Economies and greater efficiency;

(ii) Reduction of staff through normal attrition, in compliance with staff regulation 10.2, or separation, or other appropriate measures;

(iii) Appropriate utilization of the accumulated uncommitted reserve under the operational budget;

(iv) The establishment of a system of regular monitoring in line with financial regulation 4.1(c), as endorsed in General Conference resolution GC.4/Res.23, and only authorized allotments to be issued if there is a reasonable assurance of resources available to support it;

(d) Requested the Director-General, when taking measures to balance the operational budget, to:

(i) Preserve the capacity of the Organization for technical cooperation delivery;

(ii) Take due account of the need for equitable geographical distribution of the staffing of the Secretariat;

(e) Invited Member States to make voluntary contributions in support of technical cooperation, for instance to the Industrial Development Fund, which would serve to balance the operational budget.

17. On 2 July, after consideration of a draft conclusion on losses related to small catering items submitted by the Chairman (PBC.8/L.5), the Committee adopted the following conclusion:

Conclusion 92/6

The Programme and Budget Committee:

(a) Took note of the information contained in the note by the Secretariat on losses related to small catering items (PBC.8/6);

(b) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board, upon recommendation of the Programme and Budget Committee:

"(i) Takes note of the note by the Secretariat concerning losses of catering equipment (PBC.8/6-IDB.10/9):

"(ii) Approves, in accordance with financial rule 109.15(a), the write-off of losses related to small items of the VIC Catering Service in the amounts described in paragraph 1 of document PBC.8/6-IDB.10/9."

18. On 2 July, after consideration of an oral proposal by the Chairman on the application of the split-currency system of assessment, the Committee adopted the following conclusion:

Conclusion 92/7

The Programme and Budget Committee took note of the report submitted by the Secretariat on the application of the split-currency system of assessment (PBC.8/11).

IV. OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES (item 6); GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (item 10)

19. On 30 June, the Committee considered a report by the Director-General on the cost measurement study on the United Nations Development Programme successor arrangements for agency support costs (PBC.8/3) and a proposal by the Director-General for reimbursement for special trust fund projects in accordance with financial rule 106.21 (PBC.8/8), as well as a report by the Director-General on a regulatory framework for the implementation of Articles 16 and 17 of the Constitution (PBC.8/16).

20. On 2 July, after consideration of an oral proposal by the Chairman on the operational budget: reimbursement for programme support and administrative services, the Committee adopted the following conclusion:

Conclusion 92/8

The Programme and Budget Committee took note of the proposal contained in the report of the Director-General (PBC.8/8, paras. 15 to 18) on the application of financial rule 106.21, taking into account the cost measurement study on agency support costs undertaken by the United Nations Development Programme.

21. On 2 July, after consideration of an oral proposal by the Chairman on the guidelines and procedures governing acceptance and funding under special trust funds, Industrial Development Fund and the regular budget, the Committee adopted the following conclusion:

Conclusion 92/9

The Programme and Budget Committee took note of the information provided by the Director-General on steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution (PBC.8/16).

V. MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995) (item 8); PRACTICE OF ZERO REAL GROWTH BUDGETS (item 12)

22. On 30 June, the Committee considered the draft medium-term plan, 1994-1999, submitted by the Director-General, and an addendum thereto containing a preview and preliminary indicative general ceiling for the first biennium 1994-1995 (PBC.8/10 and Add.1), as well as a report by the Director-General on the practice of zero real growth budgets (PBC.8/4).

23. On 2 July, after consideration of a draft conclusion on the medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995) and the practice of zero real growth budgets submitted by the Chairman (PBC.8/L.8), the Committee adopted the following conclusion:

Conclusion 92/10

The Programme and Budget Committee:

(a) Recalled General Conference resolution GC.4/Res.25, in particular paragraph 3;

(b) Took note of the draft medium-term plan, 1994-1999 as contained in document PBC.8/10 and Add.1;

(c) Recommended that the Chairman of the Programme and Budget Committee conduct informal consultations to study the relative priorities within the medium-term plan activities, 1994-1999, bearing in mind the financial and technical capacity of UNIDO, and report to the Industrial Development Board at its tenth session;

(d) Recommended to the Board the approval of a ceiling for the regular budget for the biennium 1994-1995 representing zero real growth as compared with the biennium 1992-1993.

VI. INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (item 9)

24. On 30 June, the Committee considered a report by the Director-General on the estimated resource level and programming for 1993 and 1994 for the Industrial Development Fund (IDF) (PBC.8/2), information on the nature of projects financed from the Fund, contained in the Annual Report of UNIDO, 1991 (IDB.9/10, chap. VIII, paras. 14-20 and appendix G) and a list of projects approved under IDF in 1991 (PBC.8/CRP.1) as well as a note by the Secretariat on mobilization of financial resources for industrial development as a result of military spending reductions (PBC.8/13).

25. On 2 July, after consideration of a draft conclusion on the Industrial Development Fund and other voluntary contributions submitted by the Chairman (PBC.8/L.1), the Committee adopted the following conclusion:

Conclusion 92/11

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls General Conference decision GC.4/Dec.21 and Board decisions IDB.8/Dec.29 on the Industrial Development Fund (IDF) and IDB.9/Dec.7 on UNIDO technical cooperation activities in 1991;

"(b) Takes note with interest of the report of the Director-General contained in document PBC.8/2-IDB.10/2, in particular the information on the programming thrust for 1993 and 1994;

"(c) Decides to delegate authority to the Director-General to approve projects for financing under the Fund in the 1993-1994 biennium in accordance with the priority areas of the medium-term plan, 1992-1997 (PBC.7/17);

"(d) Encourages UNIDO to continue its efforts to improve the quality of IDF-financed projects in terms of their relevance, cost-effectiveness and sustainability;

"(e) Underlines the need, to this end, for UNIDO to ensure that:

"(i) Projects are tailored to the well-defined and specific needs of the recipient countries emphasizing the concept of capacity building;

"(ii) Projects are complementary to other planned and ongoing multilateral assistance;

"(iii) Conclusions and recommendations of project evaluation are given adequate follow-up action and are used to improve the design of future projects;

"(f) Urges all donor Governments to provide more of their contributions to the general-purpose convertible segment of the Fund;

"(g) Urges Member States to reconsider their IDF pledging policies to ensure that the desirable annual funding level of $50 million be reached as soon as possible;

"(h) Appeals to Member States to continue to consider providing umbrella contributions for financing preparatory assistance activities of large-scale projects and programmes (PBC.8/2-IDB.10/2, para. 10);

"(i) Reiterates the need to fill through redeployment, as soon as possible, the posts still vacant in the relevant organizational unit and requests the Director-General to take steps so that the Project Review Committee Secretariat and Funds Administration Section may reach its full staffing level."

VII. ELECTRONIC DATA-PROCESSING PROGRAMME (item 13)

26. On 30 June, the Committee considered a report by the Director-General on the electronic data-processing programme (PBC.8/15) updated by a conference room paper (PBC.8/CRP.2).

VIII. FINANCIAL REGULATION 4.1, PARAGRAPHS (D) AND (E) (item 14)

27. On 30 June, the Committee had before it a report by the External Auditor with regard to his views and comments on the proposed paragraphs (d) and (e) of financial regulation 4.1 (PBC.8/14).

28. On 2 July, after consideration of a draft conclusion on financial regulation 4.1, paragraphs (d) and (e) submitted by the Chairman (PBC.8/L.2), the Committee adopted the following conclusion:

Conclusion 92/12

The Programme and Budget Committee:

(a) Recalled General Conference resolution GC.4/Res.23, paragraphs 1 to 3;

(b) Took note of the report of the External Auditor with regard to his views and comments on the proposed paragraphs (d) and (e) of financial regulation 4.1 of UNIDO as contained in document PBC.8/14 and endorsed the opinion expressed therein by the External Auditor in particular in paragraph 32 (a) and (b).

IX. UNIDO COUNTRY DIRECTOR PROGRAMME (item 16)

29. On 30 June, the Committee considered a report by the Director-General on the UNIDO Country Director programme (IDB.9/8).

30. On 2 July, after consideration of a draft conclusion on the UNIDO Country Director programme submitted by the Chairman (PBC.8/L.4), the Committee adopted the following conclusion:

Conclusion 92/13

The Programme and Budget Committee:

(a) Considered the report of the Director-General on the UNIDO Country Director (UCD) programme (IDB.9/8), and the practical financing of the UCD programme in particular;

(b) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Recalls General Conference resolution GC.4/Res.4 on UNIDO technical cooperation activities: UNIDO Country Directors, in which, inter alia, Board decision IDB.8/Dec.14 was endorsed;

"(ii) Notes with concern the information provided in document IDB.9/8, especially of the expected reduction by 1995 of some UCD posts under the present financing arrangements;

"(iii) Considers that the increase in the number of UCD posts to reach the target of 50 mentioned in Board decision IDB.8/Dec.14, or at least maintaining the number of UCD posts at present level, needs financing from an appropriate combination of sources;

"(iv) Reiterates its appeal to Member States to provide new, additional or further voluntary contributions to the UCD programme;

"(v) Requests the Director-General to continue to endeavour to at least maintain the present number of UCD posts and to exert his utmost efforts to increase the number to reach the target set;

"(vi) Requests the Director-General to submit to the Board at its eleventh session a report containing a proposal on financing the UCD programme, the consequence for other activities and/or programmes by the possible redeployment of resources and a plan to reach that target;

"(vii) Calls upon Member States to provide resources to enable the Director-General to carry out the proposed study on the modalities of setting up a close working relationship among UCDs of the same subregion in order to strengthen the role of UCDs;

"(viii) Calls further upon Member States to make additional contributions to the UNIDO Junior Professional Officer programme, which is an important asset in helping UCDs to carry out their functions;

"(ix) Requests the Director-General to report on the results of such negotiations that may take place regarding the revision of the memorandum of understanding on the functions and working arrangements between Resident Representatives of the United Nations Development Programme and UCDs in the field."

X. DATE OF THE NINTH SESSION OF THE COMMITTEE

31. On 2 July, the Chairman drew the attention of the Committee to the successful conclusion of the current session in less than three and one-half days as compared to the five days originally scheduled. He proposed that, following the experience of the current session, an attempt should be made to reduce, whenever possible, the duration of future sessions. The Committee, in agreeement with the proposal of the Chairman, adopted the following conclusion:

Conclusion 92/14

The Programme and Budget Committee decided to hold its ninth session within the period 26 to 30 April 1993.

XI. ADOPTION OF THE REPORT AND CLOSURE OF THE EIGHTH SESSION

32. On 2 July the Committee adopted the draft report of its eighth session (PBC.8/L.6) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report. The Committee closed its eighth session at 11.10 a.m. on 2 July 1992.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements of principle as well as statements connected with the adoption of conclusions delivered by delegations during the eighth session of the Programme and Budget Committee. These statements have been included at the request of the delegations concerned and as agreed to by the Chairman.

Representation of Yugoslavia

2. The delegation of the United States of America called attention to United Nations Security Council resolution 757 which noted that the claim by the Federal Republic of Yugoslavia to continue automatically the membership of the former Socialist Federal Repubic of Yugoslavia in the United Nations had not been generally accepted. The delegation stated that it believed that the Socialist Federal Republic of Yugoslavia no longer existed and that Serbia-Montenegro was not the continuation of, nor sole successor to, and was not entitled to assume the seat of the former Socialist Federal Republic of Yugoslavia in international organizations, including UNIDO. The representative of the United States also said that it believed that the issue needed to be resolved first in the United Nations Security Council and General Assembly and that UNIDO should be guided by their disposition of the issue.

3. Speaking on behalf of the European Community and its member States, the delegation of the United Kingdom of Great Britain and Northern Ireland said that they had taken note of the declaration of the representatives of the People's Republic of Serbia and the Republic of Montenegro that stated that the Federal Republic of Yugoslavia continued the state, international, legal and political personality of the Federal Socialist Republic of Yugoslavia. The delegation stated that the European Community and its member States had not accepted the automatic continuity of the Federal Republic of Yugoslavia in international organizations and conferences, including UNIDO. At the current stage those delegations reserved their position on the question and considered that the participation as member of the Programme and Budget Committee of UNIDO of the delegation in question was without prejudice to future decisions that might be taken on that and related issues by the United Nations Security Council.

4. The delegation of Sweden stated that it was its position not to accept the automatic continuity of the Federal Socialist Republic of Yugoslavia by the Federal Republic of Yugoslavia in international organizations, including the United Nations. The delegation also considered that the participation in the current session of the Programme and Budget Committee of the delegation in question was without prejudice to future decisions.

5. The delegation of Japan said that it associated itself with the delegation of the European Community in reserving its position on the question of the continuity of Yugoslavia's membership in international organizations, including UNIDO.

6. The delegation of Poland, also speaking on behalf of Czechoslovakia and Hungary, said that it associated itself with and supported fully the statement made on behalf of the European Community and its member States concerning the status of representation of the Federal Republic of Yugoslavia.

7. The delegation of Austria stated that the constitution of the Federal Republic of Yugoslavia was a further important step in the process of dissolution of the Socialist Federal Republic of Yugoslavia and that there was no legal basis for an automatic continuation of the existence of the former by the latter and therefore the former could not be considered to continue the previous Yugoslav membership in UNIDO. The delegation also stated that the criteria contained in the guidelines on the recognition of new States adopted by the Council of the European Communities on 16 December 1991 should be applied with regard to possible international recognition of the Federal Republic of Yugoslavia and, in that respect, drew special attention to the requirements of the protection of human rights and the rights of ethnic groups. The delegation further considered that the participation in the current session of the Programme and Budget Committee of the delegation in question was without prejudice to future decisions and that under those circumstances it reserved its right to question the validity of all decisions taken by vote by the Committee.

8. The delegation of the Russian Federation stated that the current session of the Programme and Budget Committee was not the correct forum for the discussion of the question of Yugoslavia but that the appropriate place was the Security Council and the General Assembly of the United Nations, where efforts were already being deployed in that direction. The delegation took the position that the statements made by a number of delegations did not affect the exercise by the Federal Republic of Yugoslavia of its rights and obligations and would in no way influence decisions that may be adopted with regard to the participation of the Federal Republic of Yugoslavia in international organizations.

9. The delegation of Bulgaria stated that it had circulated its position at the United Nations General Assembly and Security Council and that it reserved its position on the question and considered that the participation by the delegation in question in the current session of the Committee was without any prejudice to future decisions that might be taken on the question of representation of the Federal Republic of Yugoslavia in international forums, including the United Nations.

10. The delegation of Slovenia stated that the former Socialist Federal Republic of Yugoslavia no longer existed and that a successor to that State had not been recognized. The delegation noted that the two republics Serbia and Montenegro had not applied for recognition as independent States and for membership in the United Nations and that therefore it was not considered appropriate or acceptable that they be represented in UNIDO or any other United Nations organization or body.

11. The delegation of Croatia stated that it questioned the existence of the Federal Republic of Yugoslavia as it had not been recognized by the international community as a State and requested clarification with regard to the representative of Yugoslavia participating in the current session.

12. The delegation of Yugoslavia stated that the Assembly of the Socialist Federal Republic of Yugoslavia had promulgated the Constitution of the Federal Republic of Yugoslavia on 27 April 1992 under which the continuity of the international personality of Yugoslavia should continue to be fulfilled by the Federal Republic of Yugoslavia in international relations, including its membership in all international organizations and participation in international treaties ratified or acceded to by Yugoslavia. At the same time, the delegation declared itself ready to fully respect the rights and interests of the Yugoslav republics that had declared independence. The Federal Republic of Yugoslavia, as a founding member of the United Nations, acknowledged its full commitment to the United Nations, the United Nations Charter and to the Conference on Security and Cooperation in Europe, in particular the Helsinki Final Act and the Charter of Paris. The delegation said that the Federal Republic of Yugoslavia would cooperate with the other participants in the Conference on Yugoslavia in order to ensure a speedy and just distribution of the rights and responsibilities of the Socialist Federal Republic of Yugoslavia between the Federal Republic of Yugoslavia and other republics. At the same time, the delegation continued, it would not hinder the inclusion of newly formed States in international organizations and institutions, particularly in the United Nations and its specialized agencies and their participation in international treaties.

Operational budget: reimbursement for programme support and administrative services (item 6)

13. The delegation of Brazil, speaking on behalf of the Latin American and Caribbean group, referred to the cost measurement study of the main United Nations Development Programme (UNDP) executing agencies commissioned by UNDP, which showed that UNIDO was the most efficient organization among the four organizations with headquarters in Europe and congratulated the UNIDO Secretariat on those results and the efforts that they reflected in terms of efficient utilization of the scarce resources at the disposal of the Organization.

Medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995 (item 8)
Practice of zero real growth budgets (item 12)

14. The delegation of France, supported by the delegations of the Netherlands and Denmark, said that it had joined the consensus firstly because it was their policy to encourage consensus whenever possible and secondly because their country favoured the principle of zero growth, which was an incentive for more efficient management of the organizations concerned and more accountable use of public monies provided by Member States. The delegation pointed out, however, that any principle that began to turn into dogma incurred, in the long run, a danger of paralysis. Therefore, if the time was right and if sound and well-justified projects were submitted - which was not the case today - one ought to be able to tailor principles to the reality or needs of the moment. In short, in the years to come, the Organization should demonstrate a spirit of openness and dynamism. The delegation added that, in its view, the serious financial difficulties facing UNIDO were due, to a great extent, to numerous defaults in the payment of assessed contributions. It hoped that the situation would be speedily resolved and that all States would promptly fulfil their obligations to enable UNIDO, with a real budget at last, to fulfil the tasks as envisaged by all its Members.

15. The delegation of India supported the statement of the French delegation and said that, while joining the consensus on the adoption of conclusion 92/10, it was disappointed that the Committee could not agree to recommend the very minimal growth of resources proposed by the Director-General for 1994-1995 in areas that a number of delegations considered to be important aspects of UNIDO's future work. The delegation held the view that, not having endorsed the medium-term plan and having left it for the Industrial Development Board to study further, it would have been logical for the Committee to also refer the question of the general ceiling to the Board. The delegation expressed the hope that the Board would have an opportunity to review the conclusion adopted by the Committee when finalizing the medium-term plan for 1994-1999.

Annex II

REPORT OF THE CHAIRMAN OF THE INFORMAL IN-SESSION CONSULTATIONS FOR THE DRAFTING OF CONCLUSIONS

2 July 1992

1. The Chairman, reporting on the results of the informal in-session consultations that had been set up at the second plenary meeting on 29 June 1992 with the aim of facilitating the drafting of conclusions, informed that the informal consultations had met three times from 30 June to 1 July; no night sessions had been necessary; and the third meeting had concluded promptly at 6 p.m.

2. During that time the group had considered a total of seven draft conclusions on the following agenda items:

4 Report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991;

5 Financial situation of UNIDO: measures to stabilize the operational budget;

9 Industrial Development Fund and other voluntary contributions;

11 Implementation of the recommendations of the External Auditor for the financial period 1988-1989;

14 Financial regulation 4.1;

16 UNIDO Country Director programme;

and a combined text covering items

8 Medium-term plan, (including general ceiling for the biennium 1994-1999);

12 Practice of zero real growth budgets.

3. For the remaining agenda items, no draft texts had been submitted to the informal consultations. All the draft conclusions had been reached by consensus and had been submitted to the plenary for consideration in the form of "L documents".

4. The formation of small working groups as well as informal contacts had helped to speed up the consideration of some of the more difficult agenda items, including item 4 on the report of the External Auditor, item 5 on the financial situation of UNIDO, and the text covering items 8 on the medium-term plan, 1994-1999, and 12 on the practice of zero real growth budgets.

5. Concerning agenda items 4, 5, and the combined items 8 and 12, while consensus had been reached on the relevant texts, some delegations had expressed regret that it had not been possible to incorporate their views in the respective draft conclusions. However, those delegations had declared that in a spirit of compromise they would not block consensus on the texts in question. In particular, the representative of India had wished to express through the present report his country's disappointment in the final wording of the draft conclusion on items 8 and 12.

Annex III

LIST OF DOCUMENTS SUBMITTED TO THE EIGHTH SESSION

Symbol	Agenda item	Title
PBC.8/1/Rev.1	3	Provisional agenda
PBC.8/1/Add.1	3	Annotated provisional agenda
PBC.8/1/Rev.1/ Add.1/Corr.1	3	Annotated provisional agenda - Corrigendum
PBC.8/2 IDB.10/2	9	Industrial Development Fund - estimated resource level and programme for 1993-1994. Report by the Director-General
PBC.8/3 IDB.10/7	6	Cost measurement study on the UNDP successor arrangements for agency support costs. Report by the Director-General
PBC.8/4	12	Practice of zero real growth budgets. Report by the Director-General
PBC.8/5 IDB.10/3	4	Financial performance report for the biennium 1990-1991. Submitted by the Director-General
PBC.8/6 IDB.10/9	5	Losses related to small catering items. Note by the Secretariat
PBC.8/7 IDB.10/6	11	Action taken with regard to the manual of administrative policies and procedures of the Organization. Report by the Director-General
PBC.8/8 IDB.10/8	6	Reimbursement for special trust fund projects in accordance with financial rule 106.21. Proposal by the Director-General
PBC.8/9 IDB.10/4	4	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1990-1991 ended 31 December 1991
PBC.8/10 IDB.10/5	8	Draft medium-term plan, 1994-1999. Submitted by the Director-General
PBC.8/10/Add.1 IDB.10/5/Add.1	8	Draft medium-term plan, 1994-1999. Addendum. Preview of the first biennium 1994-1995 and preliminary indicative general ceiling. Submitted by the Director-General
PBC.8/11	15	Application of the split-currency system of assessment. Report by the Secretariat
PBC.8/12	7	Report of the External Auditor stating his opinion on the allocation of any retained unutilized balances of regular budget appropriations of the United Nations Industrial Development Organization (UNIDO) to those original programmes that had been affected
PBC.8/13	9	Mobilization of financial resources for industrial development as a result of military spending reductions. Note by the Secretariat
PBC.8/14	14	Report of the External Auditor with regard to his views and comments on proposed paragraphs (d) and (e) of financial regulation 4.1 of the United Nations Industrial Development Organization
PBC.8/15 IDB.9/12/Add.1	13	Electronic data-processing programme. Report by the Director-General
PBC.8/16 IDB.10/10	10	Regulatory framework for the implementation of Articles 16 and 17 of the Constitution. Report by the Director-General
PBC.8/17 IDB.10/11	4	Comments of the Director-General on the report of the External Auditor
PBC.8/17/Add.1 IDB.10/11/Add.1	4	Net basis budgeting. Report by the Director-General
PBC.8/18	5	Financial situation of UNIDO as of 31 May 1992. Report by the Director-General

* * *

Symbol	Agenda item	Title
IDB.9/8	16	UNIDO Country Director programme. Report by the Director-General
IDB.9/10 and Corr.1 and 2		Annual Report of UNIDO, 1991 (reflecting programme performance for the biennium 1990-1991)
		. . .
PBC.8/CRP.1	9	List of projects approved under the Industrial Development Fund (IDF) in 1991
PBC.8/CRP.2	13	Electronic data-processing programme. Submitted by the Secretariat
PBC.8/CRP.3	3	Annotations to the provisional agenda: List of documents. Note by the Secretariat
PBC.8/CRP.4	5	Financial situation of UNIDO. Submitted by the Secretariat
PBC.8/CRP.5	-	List of participants

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Item 7 of the provisional agenda

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS

Report by the Director-General

Summary

Reports on the implementation of General Conference resolution GC.4/Res.28 and, in accordance with paragraph 2 of the resolution, submits to the Board draft additions to the guidelines for special trust fund projects approved by the Conference and contained in document GC.4/36.

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Introduction

1. In its resolution GC.4/Res.28, the General Conference at its fourth session, while approving the guidelines for development, appraisal, approval, implementation and evaluation of special trust fund projects contained in document GC.4/36, requested the Director-General to undertake a number of actions including the preparation of additions to those guidelines. The Conference also invited the Director-General to report on the implementation of the resolution, the appraisal activities, the in-depth evaluation, as well as on the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution, and to submit the requested draft additions to the Industrial Development Board at its tenth session.

I. IMPLEMENTATION OF GENERAL CONFERENCE RESOLUTION GC.4/RES.28

Development, appraisal and approval aspects

2. In paragraph 2 of resolution GC.4/Res.28, the Director-General was requested to prepare additions to the guidelines contained in document GC.4/36 in order to fully reflect: (a) that the developmental aspects be the leading principles for accepting special trust fund projects, inter alia to assist developing countries in training, management, recovery and rehabilitation requirements for industrial enterprises; and (b) that definitions for the appraisal criteria will be amended in line with decision GC.4/Dec.11, paragraph (d), on technical cooperation activities.

3. Developmental aspects are generic to all technical cooperation projects undertaken by UNIDO. As far as special trust fund projects are concerned, sections A and B of the guidelines (GC.4/36), already approved by the General Conference at its fourth session, contain explicit injunctions on the developmental objectives. In the case of special trust fund projects, apart from the procedures adopted by the Secretariat to ensure the primacy of developmental aspects, donors of such funds and the Government of the recipient country are also involved in ensuring the inclusion of the development objectives since they also approve the project prior to the commencement of any activities.

4. From March 1988 to the end of June 1992, 97 trust fund projects were submitted for appraisal, and appraisal memoranda were issued for 50 of them on their overall quality. Of these, 12 per cent conformed with design standards as submitted, 56 per cent conformed with those standards after reformulation by the project planners, and 32 per cent were the subject of divergent views. Appraisal memoranda were not issued for 47 of the projects, generally due to lack of adequate information on the specific problems to be addressed (their causes and effects), the project strategy and verifiable outputs.

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5. The appraisal tools used, including those derived from objective-oriented project planning, are sufficient to appraise projects of a development assistance nature with specific and verifiable objectives and outputs, such as most of those financed from third-party trust funds, special purpose contributions to the Industrial Development Fund (IDF), and a few self-financing trust funds. In general, it is possible to assess the overall quality of projects in terms of relevance, cost effectiveness and sustainability, as defined in the annex to document GC.4/28 on IDF. However, for the appraisal of most self-financing trust fund projects appraisal tools will be further adapted, provided that additional resources are made available.

6. Responding to the request made in paragraph 2 of General Conference resolution GC.4/Res.28, and with a view to stricter compliance and monitoring of the developmental aspects and other project quality control measures, the Director-General issued a revised bulletin containing administrative instructions for the development, appraisal, approval and implementation of special trust fund projects (UNIDO/DG/B.73/Rev.1). In paragraphs 7 to 13 of the bulletin procedures are set out to ensure not only that special trust fund projects are appraised in consonance with development objectives and that appraisal criteria are in line with decision GC.4/Dec.11, paragraph (d), but also that those projects are designed and formulated in accordance with the guidelines contained in the UNIDO Project Design Reference File.

7. In compliance with paragraph 3 of resolution GC.4/Res.28 the same bulletin also sets out procedures to ensure that the approving authority will invariably receive coordinated advice, prior to approval of special trust fund projects (cf. paras. 9, 11, 12, 13 and 16 of UNIDO/DG/B.73/Rev.1).

In-depth evaluation

8. In response to paragraph 8 of General Conference resolution GC.4/Res.28 and in compliance with Board decision IDB.5/Dec.12, UNIDO approached donors who finance special trust fund projects concerning the in-depth evaluation of such projects. In February 1992, letters were sent to seven donors financing self-financed special trust fund projects and to three donors financing third-party special trust fund projects to remind them of the above Board decision and to solicit their agreement to carry out in-depth evaluations. Such evaluations would serve the dual purpose of accountability and of redirecting, where necessary, the course of the projects. So far, three positive responses were received in respect of third-party financed projects and consultations are being held with those donors to undertake an in-depth evaluation of selected projects. It is expected that two in-depth evaluations will commence in 1992.

Application of financial rule 106.21

9. In paragraph 6 of resolution GC.4/Res.28 the Director-General was requested to present a proposal to the Board at its tenth session, through the Programme and Budget Committee, on the application of financial rule 106.21, taking into account the cost measurement study being undertaken at the time by the United Nations Development Programme. The proposal of the Director-General (PBC.8/8-IDB.10/8) for reimbursement for special trust fund projects in accordance with financial rule 106.21 was submitted to the Programme and Budget Committee at its eighth session and will be before the Board at its current session under item 4 of the provisional agenda - report of the Programme and Budget Committee.

Regulatory framework for the implementation of Articles 16 and 17 of the Constitution

10. With regard to the revised regulatory framework for the implementation of Articles 16 and 17 of the Constitution (para. 8 of resolution GC.4/Res.28), a report on steps taken in that respect (PBC.8/16-IDB.10/10) was also submitted to the Programme and Budget Committee at its eighth session and will be before the Board at its current session under item 4 of the provisional agenda. As explained in that report, the Director-General has issued a revised and expanded version of his previous bulletin on guidelines and procedures for special trust fund projects. The new bulletin (UNIDO/DG/B.18/Rev.1 of 15 May 1992) contains a complete and updated comprehensive and transparent regulatory framework for the implementation of Articles 16 and 17 of the Constitution in so far as they relate to projects financed from trust funds, special-purpose contributions to the Industrial Development Fund, the general pool of the Industrial Development Fund or the regular budget.

Proposed additions to the guidelines

11. In light of the foregoing, the approved guidelines (GC.4/36) seen in conjunction and applied together with the Director-General's bulletins UNIDO/DG/B.18/Rev.1 and UNIDO/DG/B.73/Rev.1 will effectively meet the concerns reflected in General Conference resolution GC.4/Res.28. Furthermore, in line with paragraphs 2 and 3 of that resolution, it is proposed that the following sentences be inserted in the guidelines already approved by the General Conference and contained in document GC.4/36:

(a) Page 2, paragraph 10, line 1
Insert before present first sentence:
Like for all other UNIDO projects, the developmental aspects will be the leading principles for accepting special trust fund projects.

(b) Page 3, paragraph 16, last line
After projects, insert: Similarly the appraisal criteria for special trust fund projects, like for other UNIDO projects, will give due consideration to the relevance, cost effectiveness and sustainability of these projects.

II. ACTION REQUIRED OF THE BOARD

12. The Industrial Development Board may wish to take note of the present report and recommend to the General Conference at its fifth session that it approve the additions to the "Guidelines for the development, appraisal, approval and implementation of special trust fund projects" (GC.4/36) proposed in paragraph 11 above.

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MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL GOVERNMENTAL AND OTHER ORGANIZATIONS

Information on intergovernmental organizations not in the United Nations system

Note by the Director-General

Summary

Provides information on two intergovernmental organizations (Development Bank of the Great Lakes States (BDEGL) and Cooperation Council for the Arab States of the Gulf (GCC)) that have expressed the wish to enter into appropriate relationship agreements with UNIDO.

1. Article 19.1 (a) of the Constitution stipulates that the Director-General may, with the approval of the Board and subject to guidelines established by the General Conference, "enter into agreements establishing appropriate relationships with ... intergovernmental and governmental organizations." The Guidelines (decision GC.1/Dec.41, annex, paras. 8 and 9) stipulate that the Director-General shall circulate among the members of the Board information on intergovernmental and governmental organizations wishing to enter into agreements with UNIDO; upon approval by the Board, the Director-General shall conclude appropriate relationship agreements with the organizations concerned.

2. Information concerning the Development Bank of the Great Lakes States and the Cooperation Council for the Arab States of the Gulf, which have expressed the wish to enter into appropriate relationship agreements with UNIDO, is contained in the annex to the present document.

ACTION REQUIRED OF THE BOARD

3. The Board may wish to authorize the Director-General, in accordance with General Conference decision GC.1/Dec.41, annex, paragraph 9, to conclude appropriate relationship agreements with the Development Bank of the Great Lakes States (BDEGL) and the Cooperation Council for the Arab States of the Gulf (GCC), based on the information contained in the annex to the present document.

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Annex

DEVELOPMENT BANK OF THE GREAT LAKES STATES
(BDEGL)

Historical background

Established by agreement of 9 September 1977, signed by Burundi, Rwanda and Zaire. One of the specialized bodies of the Economic Community of the Great Lakes Countries, with which it works in close collaboration.

Purpose

Promotion of economic and social development of member States of BDEGL by providing technical and financial assistance for joint, community and national projects.

Structure

General Meeting of Shareholders
Board of Directors
General Directorate

Membership

Burundi, Rwanda, Zaire, national finance institutions and bodies of those countries, the African Development Bank and the Government of Belgium.

Activities

The Bank is active mainly in the agricultural, industrial, energy, transport and communications sectors, and carries out the following functions:

(a) To finance the development of its member States by using its own capital, funds stemming from borrowing on financial markets and other resources through transactions involving lending, guaranty and participation;

(b) To cooperate with member States in the efficient use of their resources in such a way as to make their economies more and more complementary with a view to economic integration, and to impart harmonious growth to intraregional and foreign trade.

Relations with other intergovernmental and governmental organizations

International Trade Centre UNCTAD/GATT (ITC)

Address of headquarters

22 Ave Président Mobutu
BP 3355
Goma,
Zaire

Rwanda office
BP 4
Gisenyi,
Rwanda

Head of organization

Mr. Cléophas Kanyarwanda
Director-General

COOPERATION COUNCIL FOR THE ARAB STATES
OF THE GULF (GCC)

History

Established at Abu Dhabi on 28 May 1981 on signature of Charter.

Purpose

To assure security and stability of the region through economic and political cooperation; promote, expand and enhance economic ties on solid foundations; coordinate and unify economic, financial and monetary policies, as well as commercial and industrial legislation and customs regulations; achieve self-sufficiency in basic foodstuffs. To be effected by:

(a) Coordination, integration and interconnection between member States in all fields in order to achieve unity between them;

(b) Deepening and strengthening of relations, links and scope of cooperation now prevailing;

(c) Formulating similar regulations in various fields including economic and financial affairs; commerce, customs and communications; education and culture; social and health affairs; information and tourism; legislative and administrative affairs;

(d) Stimulating scientific and technological progress in the fields of industry, mining, agriculture, water and animal resources, including scientific research; establishing joint ventures and encouraging cooperation with the private sector.

Activities

Training
Preparation of economic and industrial studies
Drafting of legal documents of integration

Structure

Supreme Council
Ministerial Council
Secretariat-General

Membership

Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

Relations with other intergovernmental and governmental organizations

Arab Federation for Technical Education, Arab Gulf States Information Documentation Centre, Arab Organization for Agricultural Development, International Telecommunication Union, Organization of Arab Petroleum Exporting Countries

Relations with international non-governmental organizations

International Institute of Administrative Sciences, World Social Prospects Study Association

Address of headquarters

P.O. Box 7153
Riyadh 11462
Saudi Arabia

Tel.: 4827777
Telex: 403635 TAWINI SJ
Fax: 4829089

Head of organization

Dr. Abdullah Bishara
Secretary-General

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MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

Information on intergovernmental organizations not in the United Nations system

Note by the Director-General

Addendum

Summary

Provides information on an intergovernmental organization (Asian-African Legal Consultative Committee (AALCC)) that has expressed the wish to enter into an appropriate relationship agreement with UNIDO.

1. Pursuant to paragraph 8 of the Guidelines regarding relationship agreements issued by the General Conference in its decision GC.1/Dec.41, the present document provides in an annex information on the Asian-African Legal Consultative Committee (AALCC) which, since the issuance of document IDB.10/16, has expressed the wish to enter into an appropriate relationship agreement with UNIDO.

ACTION REQUIRED OF THE BOARD

2. The Board may wish to authorize the Director-General, in accordance with General Conference decision GC.1/Dec.41, annex, paragraph 9, to conclude an appropriate relationship agreement with the Asian-African Legal Consultative Committee (AALCC) based on the information contained in the annex to the present document.

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Annex

ASIAN-AFRICAN LEGAL CONSULTATIVE COMMITTEE (AALCC)

Historical background

Established in November 1956 under the name Asian Legal Consultative Committee. Renamed in April 1958, when participation of African countries was accepted.

Purpose

Serves as an advisory body of legal experts to participating countries; examines matters before the International Law Commission and other United Nations agencies in the field of international and commercial law, considers legal problems referred to it by member countries.

Cooperation with UNIDO

Exchange of documentation and information
Attendance at relevant meetings

Structure

Sessions
Secretariat

Membership

Bangladesh, Botswana, China, Cyprus, Democratic People's Republic of Korea, Egypt, Gambia, Ghana, India, Indonesia, Iran (Islamic Republic of), Iraq, Japan, Jordan, Kenya, Kuwait, Libyan Arab Jamahiriya, Malaysia, Mauritius, Mongolia, Nigeria, Nepal, Oman, Pakistan, Qatar, Republic of Korea, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sri Lanka, Sudan, Syrian Arab Republic, Thailand, Turkey, Uganda, United Arab Emirates, United Republic of Tanzania, Yemen.

Relations with other intergovernmental and governmental organizations

International Law Commission, International Centre for Settlement of Investment Disputes, United Nations Conference on Trade and Development

Address of headquarters

27 Ring Road
Lajpat Nagar-IV
New Delhi 110024
India

Cable: LEGCOM NEW DELHI
Tel. : (91 11) 6415280
6414265

Head of organization

Mr. Akira Nagasaka
Secretary-General

Liaison Officer with UNIDO

Mr. Ki Nemoto
Steinmüllergasse 31
A-1160 Vienna

Tel.: 454363

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Industrial Development Board

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Item 6 of the provisional agenda

UNIDO ENVIRONMENT PROGRAMME

Updated UNIDO environment programme

Submitted by the Director-General

Summary

As requested in resolution GC.4/Res.18, contains an update of the UNIDO environment programme, taking into consideration the recommendations and guidelines of the United Nations Conference on Environment and Development (UNCED), the views expressed by the General Conference at its fourth session and the results and recommendations of the UNIDO Conference on Ecologically Sustainable Industrial Development (GC.4/25/Add.1).

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Introduction

1. In its decision IDB.6/Dec.7 the Industrial Development Board approved the UNIDO environment programme (IDB.6/3) and its activities as outlined in paragraphs 3 to 28 of that document. In the same decision, the Board requested the Director-General to ensure that a broad dialogue between Member States and the Secretariat determine the guidelines for UNIDO participation and contributions to the United Nations Conference on Environment and Development (UNCED), which should be in full compliance with General Assembly resolution 44/228.

2. As reported to the General Conference (GC.4/25/Add.1), UNIDO convened the Conference on Ecologically Sustainable Industrial Development (ESID) at Copenhagen, Denmark, from 14 to 18 October 1991 to draw attention to industry-related environmental issues preparatory to UNCED. The General Conference, in resolution GC.4/Res.18, took note with appreciation of the report of the ESID Conference and requested that the Director-General transmit it to UNCED. The same decision requested the Director-General to ensure the broadest possible efforts towards achieving ecologically sustainable industrial development, in collaboration with the United Nations Environment Programme (UNEP) and other organizations and agencies of the United Nations system.

3. At UNCED, measures for global sustainable development were defined and outlined in its main document, Agenda 21. The conclusions reached at ESID do the same for industry. The updated environment programme contained in the present document (see chap. II-IV below) stresses the contribution of industry to global sustainable development. Overall, UNCED outlined in the Rio Declaration on Environment and Development and Agenda 21 a set of principles and programmes, including targets, parties responsible, mechanisms for implementation and resource requirements. Agenda 21 itself comprises 40 chapters and

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115 programme areas. With its stress on the resource- and employment-generating aspects of industry and the correlation between poverty and environmental degradation, UNCED recognized the positive role of industry in promoting sustainable development, and established that environment and development issues can no longer be considered separately, but as complementary aspects of sustainable development.

4. In early 1992, the report of ESID (A/CONF.151/PC/125) became part of the official documentation of the UNCED preparatory activities. It was subsequently referred to and its content reflected in chapter 30 of Agenda 21, "Strengthening the role of business and industry", in particular in the first programme area of that chapter, "Promoting cleaner production".

5. As outlined in the document entitled Response of UNIDO to Agenda 21 (IDB.10/32), UNIDO has ongoing or planned activities reflected in a number of chapters of Agenda 21, such as human settlements and integration of environment and development into decision-making; protection of the atmosphere, environmentally sound management of biotechnology, management of hazardous waste, protection of oceans, transfer of technology and information for decision-making.

6. In the period since approval of the UNIDO environment programme, the Organization has initiated or strengthened a large number of activities by increasingly incorporating tenets of ESID. The degree to which UNIDO has achieved the objectives of the original environment programme is described in the update of the programme submitted to the General Conference at its fourth session (GC.4/25), and in the Annual Report of UNIDO, 1991 (IDB.9/10, chap. IV, paras. 37-47), and is not repeated in the present document.

I. BACKGROUND*

7. Industry plays a critical role in economic development and in enhancing the economic welfare of populations. For the world as a whole, industrial output (taken as manufacturing value added - MVA) grew at an annual rate of 3.5 per cent during the period 1970 to 1990, compared with population growth, at 1.8 per cent. The MVA of developed market economies grew at an annual rate of 2.9 per cent, while their population grew at 0.7 per cent. In the developing countries, noteworthy gains occurred in some regions, particularly East and South-East Asia, which experienced annual growth of 10.2 per cent in industrial output compared with annual growth of 2.1 per cent in population.

8. During the 1980s, the expected growth in industrial output of developing countries did not meet expectations. Overall, the share of these countries in global industrial output, in 1980 constant prices, increased only modestly, from 9.8 per cent to 14.5 per cent from 1970 to 1990, with most of that increase occurring from 1970 to 1980. Moreover, 10 countries accounted for over 60 per cent of the total MVA of all 116 developing countries, and 18 countries for nearly 80 per cent.

9. Behind these figures lies the reality that there is a strong link between poverty and environmental degradation. The UNEP publication Saving Our Planet, 1/ which records changes in the state of the environment between 1972 and 1992, points to a disturbing worsening of global environmental degradation in the 20 years since the United Nations Conference on the Human Environment held at Stockholm, Sweden, in 1972.

10. Among the most startling findings is the steep increase in global threats to the biosphere during this period, to which industrialization contributes a significant share. One such threat is the concentration in the atmosphere of carbon dioxide (CO_2), a primary contributor to the greenhouse effect, which has increased by 10 per cent over the last 20 years. As a result of increasing emissions of CO_2 and other greenhouse gases, the average global temperature will probably increase from approximately 15.2° C in the 1980s to between 16.7° C and 19.7° C by the year 2030. 2/ Approximately two thirds of CO_2 released into the atmosphere can be attributed to human activities, particularly fossil fuel combustion, and about one third of fossil fuel combustion is either directly or indirectly connected to industrial activity.

11. A second area of concern is the concentration in the atmosphere of ozone-depleting substances, in particular chlorofluorocarbons (CFCs), which have increased dramatically. CFCs are used in refrigerators and air-conditioners, in the blowing of plastic foam and as solvents. They are the main cause of ozone depletion, the name given to the decline in the stratospheric ozone that protects the surface of the earth from damaging ultraviolet radiation. Increased ultraviolet radiation promotes the growth of skin cancers and cataracts and depresses human immune systems; it also reduces crop yields, depletes marine fisheries, accelerates the deterioration of materials and increases smog. The higher concentration of CFCs also contributes to global warming.

12. A third area of concern is the increasing emissions of sulphur dioxide (SO_2) and nitrogen oxide (NO_x), which increased by 40 per cent and 100 per cent respectively from 1960 to 1980. These pollutants are the main reasons for the growing acidity of the natural environment, especially freshwater lakes, rivers, forests and soils, and they contribute to the deterioration of the man-made environment, especially buildings made of stone and those with a metallic infrastructure. These pollutants are produced mainly by the combustion of fossil fuels, primarily from power plants. It should be noted that the effects of acidification may have been masked until comparatively recently by the buffering effects of alkaline fly ash. However, the increasing use of smoke-control technology, especially electrostatic precipitators, may tend to accelerate the acid build-up by decreasing the buffering effect.

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* This section draws largely upon ESID working paper I (ID/WG.516/7), with updated statistical information.

1/ Mostafa K. Tolba, Saving our Planet (London, Chapman and Hall, 1992).

2/ Intergovernmental Panel on Climate Change (IPCC), IPCC First Assessment Report, Volume I: Overview (World Meteorological Organization and UNEP publication, August 1990).

to foster the transfer of environmentally sound technologies, to which developing countries often lack favourable access. Agenda 21 defines environmentally sound technologies as those that "protect the environment, are less polluting, less energy and resource intensive, use resources in a more sustainable manner, recycle more of their wastes and products, and handle residual wastes in a more acceptable manner than the technologies for which they were substitutes" (Agenda 21, chap. 34, para. 1). Technology transfer itself is already a focus of the UNIDO medium-term plan as well as a tenet of ESID; UNIDO will continue to provide supportive measures that promote technology cooperation and enable the transfer of necessary technological know-how, as well as the building up of economic, technical and managerial capabilities for the efficient use and further development of transferred technology.

21. The ESID recommendations identified a number of priority areas for UNIDO activities. Among them were assistance to developing countries in the following areas: (a) building the technical and scientific institutional capacity to develop, absorb and diffuse pollution prevention techniques and cleaner production processes; (b) implementation of international environmental conventions and protocols related to industrial activities; (c) determining the environmental soundness of industrial technologies; (d) integrating environmental considerations into industrial strategies and policies; and (e) identifying appropriate financial resources to enable them to achieve ESID. Other areas identified by ESID for UNIDO action were assistance to other countries, upon request, in achieving ESID in accordance with the provisions of the UNIDO Constitution and relevant decisions of the General Conference and Industrial Development Board, and assistance in strengthening existing databases and the UNIDO capacity to coordinate the dissemination of technical and policy information on ESID. At ESID, it was stressed that where necessary and appropriate, UNIDO should work in conjunction with other organizations in the United Nations system to avoid duplication and enhance efficiency.

22. A number of global initiatives have been taken, both to identify problems and solutions associated with environmental degradation, and to secure resources for their implementation. Examples of such initiatives are the phase-out of CFCs (Montreal Protocol on Substances that Deplete the Ozone Layer), control of transboundary movements of hazardous wastes (Basel Convention on the Control of the Transboundary Movement of Hazardous Wastes and Their Disposal), and the Framework Convention on Climate Change and the Convention on Biological Diversity, the latter two having been opened for signature at UNCED. Financial enabling mechanisms include the Interim Multilateral Fund under the Montreal Protocol and the Global Environment Facility, a multi-purpose fund set up to help defray the incremental costs for developing countries to address certain global environmental problems. As agreed at UNCED, the Global Environment Facility will be restructured in accordance with chapter 33 of Agenda 21, and will be expanded to cover relevant activities under Agenda 21. UNIDO has begun to develop projects and programmes and mobilize funds from those and other multilateral sources to finance ESID projects, and expects to do more in the future as ESID-related activities accelerate.

23. The updated UNIDO environment programme (chap. II-IV below) seeks to strengthen those activities cited in paragraph 22 and other activities aimed at achieving ESID and responding to UNCED. It adheres to the framework outlined in the original document: although significant activities have already taken place under sub-programme I, it retains its status in the updated programme as it is recognized that a continuous upgrading of internal capabilities is required to meet the challenges posed by ESID and, in the larger sustainable development context, by UNCED.

II. DEVELOPMENT OBJECTIVE OF THE PROGRAMME

24. The pursuit of sustainable development is at the core of efforts to create a meaningful pattern of global development. The development objective of the updated environment programme is to ensure the ecological sustainability of industrial development by harnessing and directing the positive potential of industry in all UNIDO programmes and activities.

III. PRIORITIES AND TARGET GROUPS OF THE PROGRAMME

25. The programme contributes to the achievement of global sustainable development through promotion of the following priorities:

(a) Enunciating and updating environment-related policy and programme formulation and implementation, coupled with continuous strengthening of UNIDO staff capacities through training and recruitment;

(b) Assisting developing countries in building the technical and scientific institutional capacity to develop, absorb and diffuse pollution prevention techniques and cleaner production processes essential to making the transition to ESID;

(c) Assisting developing countries in the implementation of international environmental conventions and protocols related to industrial activities;

(d) Assisting developing countries in determining the environmental soundness of industrial technologies;

(e) Assisting developing countries in integrating environmental considerations into their industrial strategies and policies;

(f) Assisting developing countries in identifying appropriate, including new, financial resources, where possible on concessional terms, that would enable them to take necessary steps to achieve ESID;

(g) Assisting other countries, upon request, in achieving ESID in accordance with the provisions of the UNIDO Constitution and relevant decisions of the General Conference and Industrial Development Board;

(h) Strengthening existing database of the United Nations Industrial Development Organization and its capacity to coordinate the dissemination of technical and policy information on ESID.

26. The target groups for these programme priorities would be, on the one hand, the

legislative, planning and regulatory organs in developing country Governments that deal with industrialization and/or environmental issues. On the other hand, the target group is industry of developing countries, at the level of individual entrepreneurs (whether public or private sector) or industry sector or subsectoral associations, as well as research institutions and NGOs. The target groups of the programme priority (h) are the technical cooperation, industrial promotion and field units within UNIDO itself.

IV. PROGRAMME OBJECTIVES: OUTPUT AND ACTIVITIES

27. The proposed programme comprises four subprogrammes which together address the priorities outlined in paragraph 25 above.

Subprogramme I	Enhancing the Organization's capacities in rendering ESID-related assistance
Subprogramme II	Integrating environmental considerations in developing countries' industrial development strategies and policies
Subprogramme III	Promotion of cleaner production
Subprogramme IV	Technical cooperation in pollution abatement

Subprogramme I: Enhancing the Organization's capacities in rendering ESID-related assistance

I.1. Problem to be addressed

There is a growing need for UNIDO to deliver increasingly diversified ESID-related assistance to developing countries. It is therefore essential that staff knowledge be continuously upgraded in such areas as environmental and energy policy, technology, information and funding sources and that that information be incorporated in the development, appraisal, implementation and evaluation of all UNIDO programmes and activities.

I.2. Objective

To continue to enhance, through training and recruitment, UNIDO's capacity to provide effective ESID-related assistance, applying the latest solutions based on the recommendations of the ESID Conference.

I.3. Subprogramme focus

UNIDO Secretariat and field staff, United Nations and other international organizations and development agencies, counterpart staff in developing and other countries.

I.4. Outputs

(a) Effective ESID-related assistance provided by trained UNIDO staff to developing countries, particularly in the areas of cleaner production, environmental and energy policy, information and funding sources, and capability of designing, appraising, implementing and evaluating technical cooperation and investment promotion based on the same principles;

(b) Enhanced capacity to prepare technical cooperation, investment and other projects supported by national authorities for submission to international funding authorities including, inter alia, those set up to help implement international environmental conventions and protocols;

(c) Manuals, handbooks, guidelines and other documented material on pollution control, risk management, life cycle analysis, environmental economics, environmental impact assessment and other fundamental issues pertaining to sustainable industrial development for use by UNIDO and national counterpart staff;

(d) Promotional material prepared on a regular basis which presents the work of UNIDO in support of ESID in developing countries;

(e) Environmental issues fully integrated into all activities which address major themes of the UNIDO medium-term plan.

I.5. Activities

(a) Continuation of seminars and training courses for headquarters and field staff on, inter alia, cleaner production, energy efficiency and conservation, ESID policy and strategy formulation, environmental economics, and pollution monitoring and control;

(b) Integration of environmental management guidelines into all stages of the UNIDO project cycle; incorporation of methodologies for environmental impact assessment into feasibility and pre-investment studies; promotion of tools demonstrating economic and financial advantages of environmental protection and rehabilitation; continuous updating, further development and dissemination of the UNIDO Industrial and Technological Information Bank information networks and databases;

(c) Collection and dissemination to UNIDO staff and national counterparts of information on priorities of and access to funding sources for ESID;

(d) Preparation of written materials on fundamental issues pertaining to ESID for use by UNIDO and counterpart staff in designing and implementing technical assistance, investment promotion and other UNIDO projects;

(e) Preparation of bulletins, reports, speeches, lectures, press statements, letters, books, prefaces and other public statements and presentation material for use in promoting the work of UNIDO in support of ESID;

(f) Incorporation of energy, gender, economic and technical cooperation among developing countries (ECDC/TCDC) technology and other areas emphasized in the UNIDO medium-term plan, including the promotion of regional and subregional cooperation, into all ESID programmes and projects.

Subprogramme II: Integrating environmental considerations in developing countries' industrial development strategies and policies

II.1. Problem to be addressed

Developing countries could make a decisive contribution to preventing and controlling industrial pollution within their own borders and

at the global level. Yet, many developing countries lack sufficient experience to deal with environmental problems, as well as the necessary institutional infrastructure to appraise the environmental impact of industry and develop policies, norms, standards, regulations, legislation and market-based measures that would contribute to sustainable industrial development.

II.2. Objective

To enhance capacities of developing countries in the formulation of policies and strategies, in particular with regard to industry-related environmental standards and regulations combined with appropriate market-based measures, and in the conduct of industry-related environmental impact assessments and accident prevention. The successful achievement of this objective would necessitate close collaboration with other multilateral, bilateral and regional organizations active in the field.

II.3. Subprogramme focus

(a) Industrial subsectors: metallurgical and metal-finishing industries, pulp and paper, cement, textiles and tanneries, food-processing and chemical process industries, with due priority given, as stated in General Conference resolution GC.4/Res.18, to the five subsectors that were highlighted at ESID, with particular attention throughout to energy sources and use.

(b) Environmental issues that transcend geographical and subsectoral boundaries such as industrial restructuring (scale, siting, mix of production), technological options, internalization of the cost of environmental protection in price calculations, industrial emissions, primarily from energy generation (NO_x, CO_2 and SO_2), ozone-depleting substances and hazardous waste.

II.4. Outputs

(a) Guidelines, methods and manuals produced and advisory projects implemented on environmental impact assessment, accident prevention techniques and management, environmental risk management and hazardous waste management; for plants and/or subsectors at the national, subregional, regional and international levels;

(b) Guidelines on ESID-based legislation, standards, regulation, monitoring, and development and application of market-based measures, including contingency plans for the industrial subsectors listed above;

(c) Advisory projects implemented to provide options to Governments in formulating sectoral policies, using an appropriate mix of regulatory and market-based measures, to promote industries that contribute to ESID using clean and low-waste technologies;

(d) Training programmes implemented to train developing country cadres in environmental planning for industry (in particular, environmental impact assessment and monitoring) and in formulation of industry-related environmental norms, standards, regulations, legislation and market-based measures.

II.5. Activities

(a) Conducting of studies on environmental impact, alternative technologies available to alleviate that impact, in addition to the environmental protection norms and standards employed in industry in various parts of the world;

(b) Preparation of environmental protection guidelines and occupational health and safety regulations related to industry, in cooperation with other United Nations organizations and agencies;

(c) Continuous updating of the UNIDO system of databases, preparation and dissemination of guidelines, manuals and methods for introducing accident-prevention techniques and methodologies in industrial enterprises, and for safe disposal of hazardous waste, in cooperation with other United Nations agencies;

(d) Preparation of guidelines related to compliance with international environmental conventions and protocols, environmental standards, regulations and monitoring for the priority subsectors, in cooperation with other United Nations organizations;

(e) Implementation of ESID-based technical advisory projects which include the following:

(i) Review of current and planned sectoral policies, policy instruments, strategies and institutional infrastructure;

(ii) Proposal of measures for integrating ESID into regional industrial policies, in accordance with national priorities and with due consideration for the incidence of those policies (national and regional);

(iii) Integration of ESID into specific areas such as fiscal policies, financial and credit policies, regulatory policies, technology policies, spatial/location policies, transboundary regulations and policies, and environmental auditing;

(iv) Encouragement of ESID through research and development, acquisition and transfer of technologies;

(v) Promotion of education, public awareness, and information exchange on ESID policies, strategies and guidelines;

(vi) Establishment and/or strengthening of environmental impact assessment mechanisms to achieve qualitative and quantitative assessment of environmental impact of industrial activity;

(vii) Construction of information management systems for acquisition and organization of data on sources and effects of industrial pollution;

(viii) Assessment and projection of the impact of alternate ESID strategies on such socio-economic indices as population growth, income disparities, spatial variations in development and resource demands;

(ix) Strengthening of institutional capabilities to achieve ESID through expert advice and on-site training with special emphasis on the promotion and involvement of local organizations;

(f) Formulation and implementation of training programmes for developing country cadres in environmental planning, monitoring, modelling, auditing and impact assessment and in formulation of industry-related environmental norms, standards, regulations and legislation.

Subprogramme III: Promotion of cleaner production

III.1. Problem to be addressed

In the long run, as the UNCED and ESID conferences made clear, cleaner production, which emphasizes better use of human and natural resources and pollution prevention rather than end-of-pipe solutions, is more economical and conducive to sustainable development. Furthermore, in some instances, the use of cleaner technologies may actually prove more profitable to the firm. In the case of energy, greater benefit is derived from improvements in energy efficiency than from investments in pollution control. Furthermore, improved energy efficiency offers potential for reducing the emission of a broad range of pollutants. The critical gap in that respect, however, is the lack of information on technological options or the methods available to transfer them to enterprises in and Governments of developing countries.

III.2. Objective

To support the adoption of cleaner production, based on ESID, in the industrialization of developing countries.

III.3. Subprogramme focus

Industrial subsectors: metallurgical and metal-finishing industries, pulp and paper, cement, textiles and tanneries, food-processing and chemical process industries, with due priority given, in accordance with resolution GC.4/Res.18, to the five subsectors covered by the ESID Conference, with particular attention throughout to energy sources and use.

III.4. Outputs

(a) Advisory projects implemented providing technological information to Governments and/or entrepreneurs on the identification, assessment, acquisition and transfer of appropriate cleaner production technologies, including potential for ECDC/TCDC, conducted within the industrial structure and environment of the requesting developing countries;

(b) Pre-investment and feasibility studies undertaken to assess the economic viability and potential macro- and micro-economic savings of cleaner production technologies over traditional solutions;

(c) Technical cooperation projects implemented that employ cleaner production technologies;

(d) Expanded information systems within UNIDO and in appropriate developing country institutions on cleaner production technologies based on ESID, including those required for compliance with international environmental conventions and protocols (for example, non-CFC technologies);

(e) Information on appropriate, including new, financial resources, where possible on concessional terms, that would enable developing countries to have improved access to cleaner production technologies;

(f) Expanded roster of experts and database on institutional facilities providing training in the environmental upgrading of existing industries;

(g) Improved demonstration and training centres at new or existing industrial facilities and at centres of excellence where research and development suited to local industrial needs and capabilities will be strengthened;

(h) Cadres of developing country counterparts, trained to evaluate options and incorporate cleaner production technologies as appropriate in their industrialization processes.

III.5. Activities

(a) Assistance to developing countries in the identification, assessment, acquisition and transfer of pollution prevention techniques and cleaner production processes essential to making the transition to ESID, including potential for ECDC/TCDC;

(b) Demonstration of the financial and economic advantages and environmental benefits of ESID by undertaking pre-investment and feasibility studies;

(c) Provision of technical support for the design, establishment, operation, evaluation and monitoring of pollution prevention technologies and cleaner production processes and technologies;

(d) Assistance to developing countries in contract negotiation and transfer of environmentally sound technology;

(e) Strengthening existing UNIDO databases and the Organization's capacity to coordinate the dissemination of technical and policy information on ESID, including relevant information on international environmental conventions and protocols;

(f) Assisting developing countries in identifying appropriate, including new, financial resources, where possible on concessional terms, that would enable them to take necessary steps to achieve ESID;

(g) Identifying experts, institutes and training facilities and promoting their inclusion in existing UNIDO industrial information systems and in appropriate institutions in developing countries;

(h) Establishment of demonstration and training centres at new or existing industrial facilities, and providing support to centres of excellence;

(j) Training of developing country counterparts to enable them to evaluate options and incorporate cleaner production technologies into their industrialization processes.

Subprogramme IV: Technical cooperation in pollution abatement

IV.1. Problem to be addressed

Owing to social and economic circumstances, it is often not possible to implement cleaner production all at once by adopting sweeping ESID strategies and technologies in the manner outlined in subprogrammes II and III above. Instead, in particular where heavily polluting, often outdated industrial facilities already exist, it can be more economical to curb pollution rather than investing heavily to eliminate it altogether. Industrial upgrading and industrial rehabilitation selectively employ ESID technologies to contribute to pollution abatement, saving scarce resources by increasing efficient resource utilization, in particular energy, and reducing environmental degradation, especially that caused by hazardous waste.

IV.2. Objective

Building on extensive UNIDO experience in industrial rehabilitation, to control and mitigate the adverse impact of industrial pollution in developing countries.

IV.3. Subprogramme focus

(a) Industrial subsectors: metallurgical and metal-finishing industries, pulp and paper, cement, textiles and tanneries, food-processing and chemical process industries, with due priority given, in accordance with resolution GC.4/Res.18, to the five subsectors covered by the ESID conference, with particular attention throughout to energy sources and use;

(b) Pollution abatement technologies and methods relevant to more than one industrial subsector.

IV.4. Outputs

(a) Improved maintenance, operation and upgrading of existing industrial plants, selectively employing the principles of ESID based on results of environment, energy and waste audits;

(b) Technical cooperation projects, including pilot or demonstration projects, implemented to assist Governments and enterprises to adopt/adapt selected ESID programmes for pollution control, energy saving and industrial waste recycling, including as part of efforts to assist them in complying with international environmental conventions and protocols;

(c) Upgraded databases and technical manuals on generic treatment, reuse, recycling and management operations for wastes, in particular hazardous wastes;

(d) Information on appropriate, including new, financial resources, where possible on concessional terms, that would enable developing countries to employ selected ESID principles in their pollution abatement efforts;

(e) Upgraded databases and guidelines for measures and methods of preventing industrial accidents and extending operational life of plant and machinery (non-destructive testing, monitoring of condition and remote sensing), as well as guidelines for dynamic plant management;

(f) Expanded roster of experts in industrial pollution control;

(g) Training projects implemented on the handling, treatment and disposal of industrial wastes, including the selection of repository sites, and related monitoring systems.

IV.5. Activities

(a) Development and implementation of technical cooperation projects related to the maintenance, operation, upgrading and rehabilitation of industrial plants in order to reduce their environmental impact and energy consumption per unit of output;

(b) Development and implementation of technical cooperation projects, including pilot and demonstration projects, showing the efficacy of employing selected ESID pollution control, energy saving and industrial waste recycling programmes;

(c) Assistance in the implementation of international environmental conventions and protocols, by providing technical cooperation to help countries identify and implement the actions needed, as well as helping them to locate expertise and funding;

(d) Development of technical manuals and databases that address issues related to the design, function and efficiency of treatment operations for industrial wastes, as well as guidelines and methodologies for accident-prevention techniques;

(e) Development of standards and guidelines for the safe disposal of industrial, including toxic and hazardous, wastes in cooperation with other governmental and non-governmental organizations, Governments and industry;

(f) Assistance to developing countries in identifying appropriate, including new, financial resources, where possible on concessional terms, that would enable them to take necessary steps to undertake pollution abatement measures based on ESID principles;

(g) Further development of information systems for the exchange of technological information, research and development and experience in managing industrial wastes.

(h) Identification of experts for the expanded roster;

(i) Development and implementation of training projects on the handling, treatment and disposal of industrial wastes, including the selection of repository sites and related monitoring systems.

V. IMPLEMENTATION ARRANGEMENTS

28. As with the original environment programme, the basic principle is one of interdepartmental

and inter-agency cooperation in rendering effective assistance to the developing countries on specific environmental issues and problems. In July 1990, an Environment Coordination Unit was created to augment standard coordination mechanisms (UNIDO/DG/B.133). The Unit is responsible for coordinating programme management and promotion, advising technical units on project development, and resource mobilization and inter-agency contacts on environment-related issues. Although it contributes to the identification of new project opportunities arising from the integration of environment protection criteria into the production system, aside from those stemming from subprogramme I, the implementation of projects is the responsibility of the technical units in the substantive Departments. The Unit is also secretariat to a new interdepartmental Task Force on Environment, created in the wake of UNCED to advise the Director-General on the development of relevant UNIDO policies and programmes, particularly with regard to the implementation of Agenda 21 and international environmental conventions and protocols related to industry. Detailed terms of reference of the Unit are contained in annex III to Director-General's bulletin UNIDO/DG/B.156.

VI. ACTION REQUIRED OF THE BOARD

29. The Board may wish to take note of the present document.